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**Dudley Schools Forum – 21<sup>st</sup> June 2022**

**Report of the Director of Children’s Services**

**Dedicated Schools Grant Outturn and School Reserves 2021/22**

**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 2021/21 financial year ended 31 March 2022.

**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 2021/22 DSG Outturn and DSG Accumulated Reserve which are detailed at Appendix A and Appendix B of this report.
4. Schools Forum to note the 2021/22 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 2022.

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 2021/22 will commence in July 2022.

### **DSG Outturn for 2021/22**

9. For the 2021/22 financial year the DSG was £286.580m. Of this allocation £126.525m was payable by the Education and Skills Funding Agency directly to Dudley's 43 Academy Schools giving Dudley a net DSG of £160.055m.
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 £160.055m was allocated:
  - a. Centrally retained budget areas £40.377m, assuming an in year deficit of £5.691m would be carried forward via the DSG Adjustment Account.
  - b. De delegated budget of £0.258m
  - c. Maintained School's delegated budgets and funding for the early years provision, in both the maintained and independent sector of £125.111m.
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 reserves will be reported as a separate agenda item to this meeting.
13. For 2021/22 the DSG cumulative deficit of £18.134m will be held in the DSG Adjustment Account, this includes the deficit brought forward from 2020/21 of £11.151m. 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 2022, the reserve closed with a surplus balance of £0.915m. Table 1 below summarises the reserve position at year end.

**Table 1 – Central DSG Reserve Summary**

	<b>Central DSG Reserve</b>	<b>School Specific Contingency Reserve</b>	<b>Total Reserve</b>
	<b>£ m</b>	<b>£m</b>	<b>£m</b>
<b>Cumulative roll forward DSG reserve Available at 1/4/2021</b>	<b>(11.151)</b>	<b>0.627</b>	<b>(10.524)</b>
Less net expenditure in 2021/22 <i>(details Appendix B)</i>	(6.983)	0.288	(6.695)
<b>Accumulated carry forward balance to 2022/23</b>	<b>(18.134)</b>	<b>0.915</b>	<b>(17.219)</b>

**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 Chief Finance Officer 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.
18. A deficit must be carried forward to be dealt with from future DSG income, unless the Secretary of State authorises the LA not to do this.

## **Further conditions relating to DSG overspends and deficits**

19. Any Local Authority that has an overall deficit on its DSG account at the end of the 2021 to 2022 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:

1. Provide information as and when requested by the Department about its plans for managing its DSG account in the 2022/23 financial year, and subsequently,
2. Provide information as and when requested by the Department about pressures and potential savings on its high needs budget,
3. Meet with officials of the Department as and when they request to discuss the Local Authority's plans and financial situation,
4. 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.

20. 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.

21. The Department have now issued a final version of the management plan template, which the Local Authority will complete on a termly basis and present to Schools Forum.

## **Individual Schools Budgets – DSG Expenditure**

22. Table 2 summarises the schools' opening reserves of £10.584m at 1 April 2021 and the movement to the closing position of £10.164m at 31 March 2022.

**Table 2 – School Reserve Balances from Delegated Budgets**

<b>Reserve Type</b>	<b>2021/22 Opening Balance</b>	<b>Adj. for Academies</b>	<b>Net addition to / (Use of) Reserves</b>	<b>2021/22 Closing Balance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Specific Contingency	6.300	(0.017)	0.387	6.670
Covid Catch Up Grant	0.477	0	(0.203)	0.274
Boarding Capital Projects	1.625	0	(0.066)	1.559
LA Capital Projects	2.181	0	(0.393)	1.788

Approved Capital Loans	(0.061)	0	0.015	(0.046)
Approved Licensed Deficits	0	0	0	0
Reserves to Balance Budget/ Deficit Budgets	0.062	0	(0.143)	(0.081)
	<b>10.584</b>	<b>(0.017)</b>	<b>(0.403)</b>	<b>10.164</b>

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

**Table 3 – Movement in School Reserves**

	£ m
<b>Opening balances at 1/4/2021</b>	<b>10.584</b>
Reserves utilised by maintained schools during 2021/22	(3.524)
Additions to Reserves during 2021/22	0.519
In year surplus balances for schools at 31 March 2022 (added to reserves)	2.458
Covid catch up grant reserve	0.132
In year deficits for schools	(0.020)
Loan repayments	0.015
<b>Closing balance at 31/03/2022</b>	<b>10.164</b>

24. 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	2020/21 Opening Balance	Adj. for Academies	Net Increase in Reserves	2020/21 Closing Balance
	£m	£m	£m	£m
School Trading Accounts	1.801	(0.012)	0.208	1.997

25. The LMS 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.

26. At 31 March 2022 eight schools held balances greater than those permitted within the Balance Control Mechanism. The value for one school was less than £200, and it was decided that this would not be considered for clawback. The other seven schools were asked to provide reasons for the excess reserves and why they should be retained by the school. The value of these reserves is £0.198m. It has been determined by the Director of Children's Services and the Service Director for Early Help, Schools & SEND that these surplus reserves will not be removed from the schools and retained centrally. However, where schools are utilising any excess balances to subsidise capital projects then these must be completed before 31 March 2023.
27. One school set aside reserves to balance their 2021/22 budget. The value of these reserves is £0.008m. It has been determined by the Director of Children's Services and the Service Director for Early Help, Schools & SEND that these surplus reserves will not be removed from the schools and retained centrally. However, where schools are utilising any excess balances to subsidise capital projects then these must be completed before 31 March 2023.
28. At 31 March 2022 three 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 2022/23 school budget in the first instance. The Local Authority is working with these schools to balance its budget in 2022/23.
29. During 2021/22 no schools operated with a Licensed Deficit.

### **Budget Working Group Discussed**

30. Yes – 14 June 2022.

### **Finance**

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

### **Law**

32. 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) (Coronavirus) (Amendment)



Regulations 2022, 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.

33. The funding of schools is prescribed by the Department for Education (DfE) through the School and Early Years Finance (England) Regulations 2022.

### **Risk Management**

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

### **Equality Impact**

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

### **Human Resources/Organisational Development**

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

### **Commercial/Procurement**

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

### **Council Priorities and Projects**

38. The 2019/2022 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. 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.



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**Background Papers**

Appendix A – Dedicated Schools Grant Outturn Statement 2021/22 – as at 31 March 2022.

Appendix B – Dedicated Schools Grant Accumulated Reserve – as at 31 March 2022.





Directorate of Children's Services DSG Budgets	2021/22 DSG Latest Budget £m	2021/22 DSG Forecast Outturn £m	2021/22 Variance ( ) = under spend £m	Comments
Individual Schools Budget (ISB)	125.111	125.111	0*	*Schools can roll-forward any under spend (Nursery, Primary, Secondary & Special)
Post 16 pupils - 6 <sup>th</sup> Form Funding	1.026	1.026	0	Dudley 6 <sup>th</sup> form school - OSH
De- Delegated Budgets	0.258	0.214	(0.044)	Staffing savings
Centrally Retained Budgets	40.377	41.713	1.336	Significant pressures resulting from increased demand of Education Health and Care Plans. Includes savings from Early Years Block and Central School Services Block.
Education Funding Agency (ESFA) 6 <sup>th</sup> form grant	(1.026)	(1.026)	0	Oldswinford Hospital School
Use of DSG Reserve	(5.691)	11.151	16.842	Budgeted deficit of £5.691m for 2021/22 and B/fwd deficit position of £11.151m on Central DSG reserve for prior years.
<b>Total DSG payable to Dudley 2020/21</b>	<b>160.055</b>	<b>178.189</b>	<b>18.134</b>	
Academy Schools Funding paid to School via ESFA	126.525	126.525	0	Allocated to Academy School directly via the Education & Skills Funding Agency 43 schools at 31 March 2022
<b>Total DSG 2020/21</b>	<b>286.580</b>	<b>304.714</b>	<b>18.134</b>	

**Centrally Retained Dedicated Schools Grant Reserve Expenditure**

<b>Reserve Category</b>	<b>Opening Balance as at 01/04/21 £m</b>	<b>Additions to Reserves in Year £m</b>	<b>Use in Year £m</b>	<b>Net Use of Reserves £m</b>	<b>Closing Balance as at 31/03/22 £m</b>
<u>Central DSG Reserve</u>					
High Needs Block	(13.609)		(7.099)	(7.099)	(20.708)
Early Years Block	1.965	0.074		0.074	2.039
Central School Services Block	0.493	0.042		0.042	0.535
<b>Total Central DSG Reserve</b>	<b>(11.151)</b>	<b>0.116</b>	<b>(7.099)</b>	<b>(6.983)</b>	<b>(18.134)</b>
School Specific Contingency	0.627				
Rates Adjustments			(0.056)	(0.056)	
Professional Development Programme Grant – ring fenced		0.042		0.042	
Schools income – ring fenced		0.029	(0.011)	0.018	
De delegations – Union Duties (Ring fenced)		0.044		0.044	
Transfer to reserves – Growth Fund		0.240		0.240	
<b>Total School Specific Contingency Reserve</b>	<b>0.627</b>	<b>0.355</b>	<b>(0.067)</b>	<b>0.288</b>	<b>0.915</b>
<b>Total DSG Reserve</b>	<b>(10.524)</b>	<b>0.471</b>	<b>(7.166)</b>	<b>(6.695)</b>	<b>(17.219)</b>