**SCHOOLS FORUM MEETING – 7TH OCTOBER 2020**

**2019-20 Dedicated Schools Grant (DSG) Outturn position and Contingency Balance**

**Introduction**

The purpose of this report is to advise School Forum members on the 2019-20 DSG outturn position and overall contingency balance.

**Background - DSG 2019-20 Outturn position**

As members are aware from the beginning of the 2013-14 financial year the DSG was split into notional blocks which are:

* Schools Block
* High Needs Block
* Early Years Block

In 2018-19 the Education Skills Funding Agency (ESFA) introduced a new block called the Central Services Schools Block (CSSB). This did not introduce new funding into the system but was created by removing funding from other blocks and the former Education Services Grant (ESG).

Whilst the blocks remain notional and there remains limited possibility to move funding between blocks to reflect the needs, pressures and priorities of the geographical area such action is now very restricted.

In the case of the Schools Block any transfers from this block require Schools Forum agreement and in certain cases the express approval of the Secretary of State. In addition, in 2018-19 under the new “soft” National Funding Formula for Schools the requirement was introduced for the Schools Block to be fully distributed.

In respect of the Early Years Block then this funding is participation based so where funding is received for a number of hours that exceeds actual take up this will be recouped by the ESFA or vice versa.

As in previous years the outturn position will be reported with reference to the notional blocks.

**DSG 2019-20 Outturn position**

The outturn position for each of the notional blocks together with an explanation of the main reasons for the variances is shown below:

**Schools Block**

The outturn position for the Schools Block is an under spend of £0.124m. This underspend equates to 0.1% of the DSG total Schools Block allocation.

This is mainly due to a number of one-off receipts of income.

**High Needs Block**

The outturn position for the High Needs Block is an overspend of £1.088m. The main service areas and reasons for the overspend are shown below:

|  |  |  |
| --- | --- | --- |
| **Service** | **Variance £’m** | **Reason** |
|  |  |  |
| Alternative Provision | 0.125 | Overspends have occurred in secondary AP over commissioned places, home tuition and the resource-based provision. |
| Top Up funding schools – (special / mainstream) | 0.624 | Increasing demand and complexity of need has resulted. The total spend on this activity in 2019-20 was £4.872m. There has been an Increase of approximately 30% children with a consequential increase in cost.  |
| Agency Placements | 0.874 | As experienced last year there has been increasing demand and need. The total spend on this activity in 2019-20 was £5.703m. There has been an increase of 15% in children being placed out of area with a consequential increase in cost. |
| SEN Services | (0.396) | Underspend arising as a result of vacant posts being held in the central team and funding switches to the EY Block in respect of the EY Inclusion Fund and contribution to playworkers. |
| Post 16 | (0.135) | This area of spend is reporting an under spend. However, the following should be noted. As per last year an adjustment has been made from costs incurred on Agency Placements in respect of post 16 but when preparing the S251 report this is no longer recommended. To remain consistent with the S251 no adjustment has been made for reporting purposes in 2019-20. |
| BAC’s Income | (0.351) | Income collected from exclusions over than assumed in the original 2019-20 allocation. |
| Original 2019-20 High Needs Block over allocation | 0.347 |  |
|  |  |  |
| **TOTAL** | **1.088** |  |

A more detailed analysis is shown in Appendix A both in year and comparisons to the previous year financial position and allocation.

**Early Years**

The outturn position for the Early Years Block is an under spend of £0.031m. This is on an overall allocation of £10.102m.

At the year end the opportunity was taken to charge costs to this block in respect of EY Inclusion Fund and the Contribution to the Playworkers.

**Central Services Schools Block**

The outturn position for the CSSB is an underspend of £0.041m. This is largely down to an underspend against funding set aside against the NQT assessments and an underspend on the Schools Forum budget.

**Contingency Balance**

In determining the level of balances to be retained a number of factors need to be considered and a balance struck between ensuring the DSG allocation is spent on the children of today and there being sufficient funds to meet any unforeseen costs without having to reduce individual allocations in future years.

As reported in previous years the DSG balances were substantial. The rationale for holding such levels this was predominantly around the potential turbulence and uncertainty caused by the move to the new funding system. During this time a number of significant one-off payments were made to schools as were felt appropriate and prudent at the time. However, since 2017-18 no one-off payments have been made and indeed the worsening position on the high needs block resulted in a successful request to top slice 0.4% from the Schools Block in 2019-20 to assist with high needs spending pressures. The value of this top slice equated to £0.4m. This approach was supported by the Schools Forum following full consultation with them and schools.

The level of DSG reserves held by Local Authorities continue to be monitored by the ESFA and the guidance that this should be no more than 5% remains in place. Whilst the 5% is not prescriptive LA’s need to explain why they are holding amounts over and above this level.

Unfortunately, this last point is not an issue for us and as shown in the next section we face other more significant challenges.

**Contingency Balance as at 31st March 2020**

At the start of the financial year the DSG contingency balance brought forward was £0.949m. The unaudited DSG over / under spend for each of the blocks for the financial year is shown below and totals a net over spend of £0.892m.

The balance available in DSG contingency as at the 31st March 2020 is £0.057m. This is demonstrated in tabular form below:

|  |  |  |
| --- | --- | --- |
|  | **£’m** | **£’m** |
|  |  |  |
| **DSG Contingency as at the 1 April 2019** |  | 0.949 |
| Overallocation of HNB agreed for 2019-20 | (0.347) |  |
| 2019-20 net in year Schools Block underspend | 0.124 |  |
| 2019-20 net in year HNB overspend | (0.741) |  |
| 2019-20 net in year Early Years underspend | 0.031 |  |
| 2019-20 net in year Central Services underspend | 0.041 |  |
| **DSG Contingency as at the 31 March 2020** |  | **0.057** |

The contingency amount remaining of £0.057m is below the 5% balance of the current 2019-20 DSG allocation of £32.228m.

**Consequences and Conclusion**

The very minor surplus balance will highly likely turn into a deficit balance this time next year. At this point the ESFA will start to seek assurances that the issue is being addressed and that there are plans to bring the overall DSG Account back into balance.

Whilst we are not alone in this situation and indeed regional intelligence indicates that several other Local Authority’s are carrying deficits running into £m’s this cannot detract us from the need to take action to control and reduce costs to meet the budget envelope we have.

It was recently affirmed that Council’s cannot use their general funds to address DSG balance deficits or would require Secretary of state approval to do so. In respect of North East Lincolnshire Council given the very significant financial challenges it faces the option of a contribution for the Council’s general fund should not be considered an option.

As referred to above, attached are two Appendices for information, Appendix A gives a detailed breakdown of budget v spend outturn of the High Needs Block whilst Appendix B breaks down Agency Placement spend by need / assessment.

**Recommendations**

It is recommended that Schools Forum note the 2019-20 DSG outturn position.

It is also recommended that given the high probability that the DSG Account will fall into deficit in 2020-21 then early discussions begin now between Council Officers and the Schools Forum in respect of actions to address this deficit.

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7th October 2020