**SCHOOLS FORUM MEETING – 16TH SEPTEMBER 2021**

**2020-21 Dedicated Schools Grant (DSG) Outturn position and Contingency Balance**

**Introduction**

The purpose of this report is to advise School Forum members of the 2020-21 DSG outturn position and overall contingency balance.

**Background - DSG 2020-21 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 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 2020-21 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 overspend of £0.045m. This overspend equates to -0.04% of the DSG total Schools Block allocation (£106.862m).

**High Needs Block**

The outturn position for the High Needs Block is an overspend of £0.853m. The main service areas and reasons for the overspend are shown below:

|  |  |  |
| --- | --- | --- |
| **Service** | **Variance (- = Overspend / + = underspend) £’m** | **Reason** |
|  |  |  |
| Alternative Provision | (0.026) | Outturn position reflects AP places, AP transport, home tuition and the resource-based provisions. |
| Top Up funding schools – (special / mainstream) | (0.301) | Increasing demand and complexity of need has resulted. The total spend on this activity in 2020-21 was £5.541m. This is an increase of £0.668m on the previous year largely due to increases in demand. |
| Agency Placements | (0.963) | As experienced last year there has been increasing demand and need. The total spend on this activity in 2020-21 was £6.295m. There has been an increase of 26% in children being placed out of area with a consequential increase in cost. |
| Bursar Educational Facility | 0.225 | Facility not progressed in 2020-21 following procurement difficulties. |
| SEN Services | 0.642 | Underspend arising as a result of vacant posts being held within SEN teams, savings also within SEND contracts, mainstream inclusion fund / contingency pot and EY Block re-allocations in respect of the EY Inclusion Fund and contribution to playworkers. |
| Post 16 | (0.344) | In addition to post 16 placements, the overspend also includes post 16 related transport costs |
| BAC’s Income | 0.064 | Income collected from exclusions over than that assumed in the original 2020-21 allocation. |
| **Sub Total** | **(0.703)** |  |
| Original 2020-21 High Needs Block over allocation | (0.150) |  |
|  |  |  |
| **TOTAL** | **(0.853)** |  |

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 £0.063m. This is on an overall allocation of £10.049m.

**Central Services Schools Block**

The outturn position for the CSSB is an underspend of £0.016m. This is 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, and now deficits held by Local Authorities continue to be monitored by the ESFA and where this is a reserve 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 predicted last year and shown in the next section we face far more significant challenges given we are now in a deficit DSG Account position. As a result of this the ESFA will require the Council, in conjunction with the Schools Forum to pull together an action plan as to how the DSG Contingency account is to be brought back into balance over a 3-year period.

To re-iterate the DSG is a specific ring-fenced grant and there is no requirement for Council’ top meet any deficit. Indeed, should this approach wish to be taken it would require Secretary of Stare approval.

**Contingency Balance as at 31st March 2021**

At the start of the financial year the DSG contingency balance brought forward was £0.057m. 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 £0.762m.

The DSG Account (Contingency) has now gone into a deficit balance and as at the 31st March 2021 is £0.762m. This is demonstrated in tabular form below:

|  |  |  |
| --- | --- | --- |
|  | **£’m** | **£’m** |
|  |  |  |
| **DSG Contingency as at the 1 April 2020** |  | 0.057 |
| Overallocation of HNB agreed for 2020-21 | (0.150) |  |
| 2020-21 net in year Schools Block overspend | (0.045) |  |
| 2020-21 net in year HNB overspend | (0.703) |  |
| 2020-21 net in year Early Years underspend | 0.063 |  |
| 2020-21 net in year Central Services underspend | 0.016 |  |
| **DSG Contingency as at the 31 March 2021** |  | **(0.762)** |

**Consequences and Conclusion**

As predicted last year the DSG Contingency Account has now gone into a deficit position of £0.762m. As a result, whilst we have not yet been formally requested at this moment, the ESFA will start to seek assurances that this issue is being addressed and that there are plans to bring the overall DSG Account back into balance.

During the year there have been several Schools Forum High Needs Block working party meetings where initial proposals on dealing with demand / diversion from high-cost placements have been discussed and work continues on them.

It is clear that controlling demand, keeping children in mainstream as far as possible with appropriate resource support to the school and the restriction of more expensive out of area placements is our best chance of keeping within the DSG budget envelope.

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.

To re-affirm the Council’s cannot use their general funds to address DSG balance deficits and to do so would require Secretary of state approval. In respect of North East Lincolnshire Council given the very significant financial challenges this should not be considered an option.

Attached to this report Appendix A gives a detailed breakdown of budget v spend outturn of the High Needs Block.

**Recommendations**

It is recommended that Schools Forum note the 2020-21 DSG outturn position.

It is also recommended that the Working Party continue to meet to develop further options and progress these as quickly as possible to reverse this deficit position over the short term

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