

**SCHOOLS FORUM MEETING – 6<sup>TH</sup> JULY 2022**

**2021-22 Dedicated Schools Grant (DSG) Outturn position and Contingency Balance**

**Introduction**

The purpose of this report is to advise School Forum members of the 2021-22 DSG outturn position and overall contingency balance.

**Background - DSG 2021-22 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 2021-22 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 underspend of £0.083m. This overspend equates to -0.07% of the DSG total Schools Block allocation (£115.955m).

**High Needs Block**

The outturn position for the High Needs Block is an overspend of £0.828m against an allocation of £17.464m (after recoupment). In respect of this overspend then members may recall that when the 2020-21 original allocation was set an over allocation (overspend) was projected This original over allocation has been exceeded by £70k.

The main service areas and reasons for the overspend are shown below:

<b><u>Service</u></b>	<b><u>Variance (- = Overspend / + = underspend) £'m</u></b>	<b><u>Reason</u></b>
Alternative Provision	(0.047)	Outturn position reflects AP places, AP transport, home tuition and the resource-based provisions.
Top Up funding schools – (special / mainstream)	(0.581)	Increasing demand and complexity of need has resulted. The total spend on this activity in 2021-22 was £5.619m. This is an increase of £1.078m on the previous year largely due to increases in demand.
Agency Placements	(0.432)	As experienced last year there has been increasing demand and need. The total spend on this activity in 2021-22 was £6.732m. There has been an increase of 5% in children being placed out of area with a consequential increase in cost.

Bursar Educational Facility	0.248	Facility usage not progressed in 2021-22.
SEN Services	0.434	Underspend arising because 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	(0.494)	In addition to post 16 placements, the overspend also includes post 16 related transport costs.
BAC's Income	0.262	Income collected from exclusions over than that assumed in the original 2021-22 allocation. The significant over collection resulted from an assumed reduction due to the pandemic.
Import / Export adjustment	0.540	
<b>Sub Total</b>	<b>(0.070)</b>	
Original 2021-22 High Needs Block over allocation	(0.757)	
<b>TOTAL</b>	<b>(0.828)</b>	

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 overspend of £0.043m after an adjustment of £0.191m spend allocation to providers in respect of the EY Inclusion fund. This treatment follows previous years practice and is a permitted use of EY funding. The overall Early Years allocation was £9.876m.

**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 as at 31<sup>st</sup> March 2022**

At the start of the financial year the DSG contingency balance brought forward was £0.762m. 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 £1.533m (after factoring in the opening overallocation of £0.757m).

The DSG Account (Contingency) deficit balance has doubled within the financial year which was broadly anticipated.

The in-year movement is demonstrated in the table below:

	<b>£'m</b>	<b>£'m</b>
<b>DSG Contingency as at the 1 April 2021</b>		(0.762)
Overallocation of HNB agreed for 2021-22	(0.757)	
2021-22 net in year Schools Block underspend	0.083	
2021-22 net in year HNB overspend	(0.070)	
2021-22 net in year Early Years overspend	(0.043)	
2021-22 net in year Central Services underspend	0.016	
<b>DSG Contingency as at the 31 March 2022</b>		<b>(1.533)</b>

**Consequences and Conclusion**

As predicted last year the DSG Contingency Account deficit balance doubled in the financial year just ended.

Agenda item 18/22 advises of the Council's recent inclusion on the Delivering Better Value programme (DBV) and what this entails. The inclusion on this programme will

hopefully result in our action plan having had that the challenge of the DfE in a critical friend capacity.

A key element remains the Schools Forum High Needs Block working party meetings which have continued this year. Proposal and plans were discussed and challenged with the key emphasis on outcomes for the child whilst addressing demand and diversion from high-cost placements.

It remains 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 and ensuring this is sustainable going forward.

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-iterate the DSG is a specific ring-fenced grant and there is no requirement for Council' to meet any deficit. Indeed, should this approach wish to be taken it 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 2021-22 DSG outturn position.

It is also recommended that in view of the worsening cumulative financial position and the Council's involvement in the Delivering Better Value programme the Schools Forum High Needs Working Party continue to meet to develop further options and progress these as quickly as possible to manage the deficit position over the short term and achieve a sustainable balanced DSG financial position going forward.

Contact Officer: David Kirven, Strategic Lead –Business Partnering.

6<sup>th</sup> July 2022