

REPORT FOR SCHOOLS FORUM

1.	Date of meeting:	26th June 2020
2.	Title:	Dedicated Schools Grant – 2019/20 Outturn & 2020/21 Funding
3.	Directorate:	Finance and Customer Services

1. PURPOSE OF REPORT

- 1.1 To inform members of the Schools Forum as to the 2019/20 outturn position of the dedicated schools grant (DSG).
- 1.2 In addition, to provide summary details to maintained members of Schools Forum as to the surplus/deficit balances of the maintained schools within Rotherham.
- 1.3 The report outlines the national picture on the High Needs Block as part the overall Dedicated Schools Grant and the additional funding the government is investing in education in the next three years as part of its spending review.
- 1.4 The report also brings to members' attention clarification on the accounting treatment of the Dedicated Schools Grant reserve and use of funds to mitigate the deficit following the government's consultation response in January 2020.
- 1.5 To provide information in respect of pupil-led funding recovered as a result of permanent exclusions.

2. RECOMMENDATION(S)

- 2.1 That Schools Forum members note the information contained within this report, particularly that the reserve balances have increased to £19.7m (centrally retained).
- 2.2 That Schools Forum members note that the deficit balance is subject to change as this will be dependent on the early years adjustment for the Spring 2020 census count. Within the figures, an anticipated addition of £50k has been accounted for.

3. REASON FOR RECOMMENDATION(S)

- 3.1 To ensure that Schools Forum members are kept informed of the DSG position within Rotherham. Furthermore, that maintained members of the Forum are kept abreast of the surplus/deficit balances of maintained schools within Rotherham.
- 3.2 To ensure that Schools Forum members are kept informed of the reserve position within Rotherham.

4. BACKGROUND INFORMATION & CONTEXT

4.1 Context

In 2019/20 the final allocation of DSG for Rotherham was £84.201m. This amount is net of academy recoupment for the 84 academies within Rotherham at a total of £155.744m.

It should be noted that the 2019/20 accounts also include the 2018/19 early years

adjustment from the January 2019 census of £90k which authorities were notified of in summer 2019 (after the 2018/19 statement of accounts had been compiled). However, Schools Forum members should note that the DSG note to the accounts however was updated to include this.

As in previous years the local authority has yet to be notified of the final early years adjustment for 2019/20 (based on the January 2020 census). The government have advised the individual authorities will be notified of this adjustment in June 2020. The local authority has modelled the census data provided to the government and are anticipating an addition of £50k. This has been included with the 2019/20 accounts.

4.2 Centrally retained balance

The DSG central reserve deficit balance brought forward to 2019/20 was 15.1m. The early years adjustment for January 2019 received in summer 2019 was additional funding of £90k used to meet the pressure on the high needs expenditure.

As reported to Schools Forum throughout the year; pressures on high needs expenditure continued with a further deficit in 2019/20 of £4.6m which has contributed to a net deficit in the DSG Central Reserve of £19.9m after taking account of DSG balances in other DSG funding blocks.

It should be noted, as outlined elsewhere in the report, that the local authority has modelled the impact of the January 2020 early years census data and are expecting additional funding of £50k. This has been taken into consideration in the production of the 2019/20 final accounts. The actual adjustment will be known in summer 2020.

The £50k anticipated additional allocation is made up of an additional £116k for 3 & 4 year olds, £11k for Early Years Pupil Premium, and clawback of £10k for Nursery Schools supplementary funding and clawback of £67k for 2 year olds.

High Needs Block Element

The High Needs Block over spend is as a result of a number of factors; an overall increase in Education Health and Care Plans, an increase in the number of young people aged 16 to 25 with an EHCP who are now the responsibility of the LA to fund, an increase in the number of children accessing higher cost provision and an increase in the number of pupils in Alternative Provisions (Pupil Referral Units).

The deficit reflects system wide issues in how the funding is determined. Whilst the allocation moved to a formulaic basis in 2018/19 and now includes proxy indicators of SEND within the population, a large element of the grant remains fixed based on historic spend.

In 2019/20 Rotherham were successful in submitting a disapplication request to the Secretary of State to transfer 1.5% of the DSG Schools Block allocation (£2.8m) to the High Needs Block. The transfer is for one year only and to continue with the transfer of funding a new application is required each financial year.

Despite the £2.8m transfer of funding into the High Needs Block there was still a overspend of £4.6m (financial pressure would be £7.4m without the transfer) in the 2019/20 financial year.

2020/21 & Future Years

The recent Government spending review announced additional funding for schools and high needs, compared to 2019-20, will rise by £2.6 billion for 2020-21, £4.8 billion for 2021-22 and £7.1 billion for 2022-23.

In 2020/21 the £2.6 billion is split £1.9 billion to the Schools Block and £0.7 billion to the High Needs Block; the funding split for future years still to be determined. For Rotherham this is an additional £6.2m for schools and £4.8m in the High Needs Block.

DSG Central Reserve – Use of Funds to Mitigate Deficit

On the 11 October 2019 the Department for Education consulted on changing the conditions of grant and regulations applied to the Dedicated Schools Grant (DSG) in order to clarify that the DSG is a ring-fenced specific grant separate from the general

funding of local authorities, and that any deficit an authority may have on its DSG account is expected to be carried forward to the next year's schools budget and does not require to be covered by the authority's general reserves, please see appendix 1 for DfE consultation response.

The government consultation response makes it entirely clear on a statutory basis that a DSG 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.

5. Individual School Budgets

5.1 As set out within the Rotherham Scheme for Financing Schools, individual schools are permitted to carry forward balances to be spent or replenished in subsequent financial years. In total, the carry forward on individual school budgets (listed below) is an overall combined surplus of £2.461m.

Value of Balance	Number of Schools	% of Total Number of Schools	Combined Value of Balance
Deficit Balance	7	-20%	-367,809
Surplus £0 - £20,000	3	8%	30,713
Surplus £20,001 - £50,000	8	23%	269,713
Surplus £50,001 - £100,000	7	20%	502,025
Surplus £101,001 - £250,000	7	20%	1,143,198
Surplus £250,001 +	3	8%	882,896
Total	35	100%	2,460,736

5.2 Surplus balances

As at 31st March 2020, the movement on surplus balances when compared with 2018/19 reflected a decrease in year of £.980m as follows:

2018-2019		2019-2020		Change in Year	
No of Schools	Value in £'000	No of Schools	Value in £'000	No of Schools	Value in £'000
33	3,809	28	2,829	-5	980

In the main, the reason for the decrease in the level of surplus is due to a reduction in primary and secondary sectors. Three of the five in-year academy conversions were schools with cumulative surplus balances of £871k as at 31ST March 2019.

Of the total 2019/20 surplus balances, 8 schools hold balances above the thresholds set out in the Scheme for Financing Schools. The Scheme for Financing Schools sets out the financial arrangement between the local authority and the maintained schools. The scheme states that if a schools balance has exceeded the allowable surplus (8% of school budget share for nursery, primary and special, 5% for secondary) and allowing for commitments and any amounts assigned for a specific purpose then the local authority may deduct an amount equal to the excess balance.

Letters have been sent to the schools asking for them to return an excess surplus balance justification plan.

As at 31st March 2020, the movement on deficit balances in comparison with 2018/19 shows an increase in the value of the deficit by £48k as follows:

2018-2019		2019-2020		Change in Year	
No of Schools	Value in £'000	No of Schools	Value in £'000	No of Schools	Value in £'000
7	-320	7	-368	0	-48

In summary, the 7 deficit balances can be analysed as follows:

Number of Schools	Amount of Deficit
4	Up to £50,000
3	Above £50,001

Of the 7 schools that were previously identified to be in deficit, 1 have now entered a surplus balance position, 2 now have academy status with a cumulative deficit balance of £103k and 4 schools remain in deficit.

3 schools that were previously in surplus have now entered a deficit position. Meetings will take place between the school, Finance, HR and School Improvement Service colleagues to support them in developing their deficit recovery plans.

For all schools that are in a deficit position, individual 3 year budget recovery plans are in the process of being compiled. These will then be subject to formal review throughout the year.

Similar to previous years, the key reasons why schools have deficit balances are as follows:

- falling pupil numbers and schools do not take action quick enough to adjust their staffing compliment
- excessive levels of spending on goods/services and/or excess staffing structures
- long term staff absences/suspensions which are not covered through staff insurance
- short term absence which do not trigger insurance claims

6 Excluded pupils

A total of £52,021 was recovered from individual schools & academies who permanently excluded pupils during 2019/20 financial year. This funding was utilised to reduce the amount of high needs block DSG funding required to fund the pupil referral units.

7. Names and contact details

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