



Report to Schools Forum

Date: 28th June 2022

Title: Dedicated Schools Budget – Outturn 2021-22

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Recommendations: Schools Forum is asked to note the final outturn position against the Dedicated Schools Grant in 2021-22 and the impact on the DSG reserve.

Reason for decision: For Information

1. Purpose of the Report

1.1. This report updates Schools Forum on the Dedicated Schools Grant (DSG) allocation, outturn for 2021-22, the DSG Reserve, and the impact of 2021-22 outturn on the 2022-23 financial year.

2. DSG Allocation 2021-22

2.1. The final DSG allocation for 2021-22 and the income received is as follows:

Table 1: Reconciliation of DSG Allocation and Income Received 2021-22

DSG Block	Allocation Prior to Academy Recoupment £'000	Less Academy Recoupment £'000	Final Allocation After Recoupment £'000
Schools Block	374,863	193,846	181,017
High Needs Block	99,115	7,966	91,149
Early Years Block	31,902	0	31,902
Central Schools Services Block	5,908	0	5,908
Total DSG Allocation 2021-22	511,789	201,812	309,977
Income Received in 2021-22			(309,584)
Difference in income received compared to allocation			392
Difference due to:			
Early Years Clawback for 2020-21			392

3. Outturn 2021-22

3.1. The final outturn position for 2021-22 was a net overspend of £2.171 million against the overall Dedicated Schools Budget. This is a favourable movement of £815k from the previous report to Schools Forum after adjusting for changes to the Early Years block allocation.

Table 2: Final Outturn 2021-22

Funding Block	Budget 2021-22 £'000	Actual 2021-22 £'000	Variance 2021-22 £'000
Schools Block	182,143	181,988	(155)
High Needs Block	91,149	94,249	3,100
Early Years Block	31,902	31,505	(397)
Central Schools Services Block	5,908	5,532	(376)
Total DSG Expenditure	311,103	313,274	2,171

3.2. The following amounts have been transferred into the DSG reserve from the Schools Block at the end of the year prior to finalising the outturn:

- Underspend against the pupil growth fund £1.681m
- Underspend against de-delegated budgets £0.239m

3.3. These amounts have been rolled forward into earmarked reserves and are expected to be drawn down during 2022-23. The agreed plan for the growth fund in 2022-23 requires utilisation of the underspend from 2021-22. It should also be noted that no funds have been de-delegated from maintained schools for the school specific contingency in 2022-23 (as agreed by Schools Forum in December 2021) and therefore it is expected that the underspend from 2021-22 will be utilised in the current year.

3.4. The main pressures through the year continued to be within the High Needs Block which was £3.1 million overspent at the end of the year against the budget of £91.149 million. This is an improvement of £455k compared with the previous forecast. Detail on the high needs block spend for 2021-22, including analysis of trends in expenditure, is contained in the report of the DSG Spending Review Group.

3.5. The Early Years block is underspent by £397k, most of which is against the budget for the free entitlement for early education and childcare for 3 and 4 year olds. It is possible that this amount will be clawed back when the DSG allocation is updated for January 2022 census data.

4. DSG Reserve

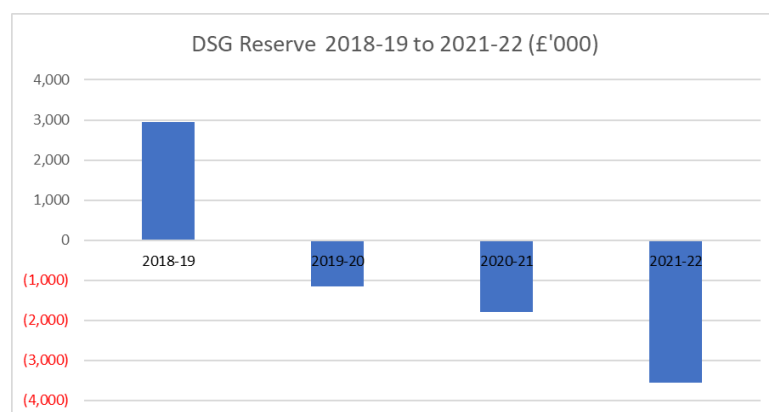
4.1. Any variance against the DSG is to be managed through the DSG reserve which is ringfenced. At the end of the 2021-22 financial year the council has a deficit of £3.566m against its DSG reserve. This is an increase of £1.772m in the council's DSG deficit compared with the previous year. The deficit has grown over the last 3 years despite increases in funding over the same period. It is important to note that this includes the transfers to reserves from the Schools Block (para 3.3 above) and an underspend against the early years block, which may be subject to clawback, therefore the underlying deficit due to overspends against the High Needs Block is over £5m.

Table 3: Summary of DSG Reserve 31 March 2022

DSG Reserve - Surplus/(deficit)	£'000
Opening Balance 2021-22	(1,795)
Contributions to Earmarked Reserves 2021-22	
Growth Fund underspend - committed in 2021-22	1,681
Dedelegated funds underspent	239
Drawdown from Earmarked Reserve 2021-22	
Release of last years Growth fund reserve	(1,127)
Early Years Funding - prior year adjustment	(392)
Drawdown at year end to support overspend	(2,172)
Net Drawdown from Reserve 2021-22	(1,772)
Closing Balance 2021-22 - Surplus/(Deficit)	(3,566)
Underlying deficit (excluding earmarked reserves for growth and de-delegation)	(5,485)

4.2. The DSG deficit has increased year on year since the 2018-19 financial year. This is in line with the national picture in which the majority of local authorities are seen to be growing DSG deficits due to demand against the high needs block (*source DfE presentation to F40 Group – shared at the previous schools forum meeting*).

Figure 1: DSG Reserve 2018-19 to 2021-22



5. Impact on 2022-23

5.1. Any variance against the DSG budget must be carried forward to be managed within the following year's grant, this is managed through the DSG reserve which is currently in a deficit position.

5.2. Any LA with an overall DSG deficit must co-operate with the DfE in handling that situation. In particular, the local authority must:

- a) Provide information as and when requested by the department about its plans for managing its DSG account.
- b) Provide information as and when requested by the department about pressures and potential savings on its high needs budget.
- c) Meet with officials of the department as and when they request to discuss the local authority's plans and financial situation.
- d) 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.

5.3. The budget set for 2022-23 takes into account the additional £12.7 million funding allocated to the High Needs Block in the 2022-23 funding settlement. The allocation of the growth has prioritised the impact of demand from previous years, expected increases in demand in 2022-23 and proposals from the DSG Spending Review Group aimed at reducing costs in future years. The proposed budget also leaves £1.7m uncommitted which will be held against the deficit in the first instance. Budgets will be closely monitored to identify risks of overspend at an early point in the year. More detail is provided in the report of the DSG Spending Review Group on this agenda.