

West Northants Schools Forum: 5 July 2022

Agenda Item 4

2021-22 Dedicated Schools Grant (DSG) Provisional Outturn and School Balances

List of Appendices

Appendix A – 2021-22 Maintained School Balances

1 Purpose of Report

1.1 The report provides an assessment of West Northamptonshire Council's DSG provisional outturn position against its approved 2021-22 budget. This report also provides the maintained schools balances and reserves position for the year ending 31 March 2022.

2 Executive Summary

2.1 Table 1 summarises the DSG provisional outturn and variance for the financial year 2021-22.

Table 1 – Provisional Outturn 2021-22 by DSG Block £m

DSG Block	Gross Expenditure Budget*	Recoupment **	Net Expenditure Budget	Provisional Outturn	Variance	Movement from Previously Reported Position
Schools	300.3	-235.0	65.3	64.6	(0.7)	(0.7)
Early Years Provision	25.4	0	25.4	24.7	(0.7)	(1.1)
High Needs	55.6	-15.1	40.5	41.7	1.2	(1.3)
Central Schools Services Block	4.4	0	4.4	4.5	0.1	0.1
TOTAL	385.7	-250.1	135.6	135.5	(0.1)	(3.0)

*includes carry forwards of £0.695m

**funding taken off the DSG before the grant is paid to the LA for academies and funding for high needs 'places' in academies who are paid directly from the Education Skills and Funding Agency (ESFA)

2.2 The provisional outturn position for 2021-22 is an underspend of £0.1m against the budget including carry forwards of £135.6m after academy recoupment, or 0.07% (0.03% on the gross budget). This represents a favourable movement of £3.0m from the position as at period 8 previously reported to January Schools Forum. The variance and movements are set out in section 3 below.

2.3 Any local authority that has an overall deficit on its DSG account at the end of the 2021-22 financial year, or whose DSG surplus has substantially reduced during the year, must co-operate with the Department for Education in handling that situation. In particular, the authority must:

- provide information as and when requested by the department about its plans for managing its DSG account in the 2021-22 financial year and subsequent years
- provide information as and when requested by the department about pressures and potential savings on its high needs budget
- meet with officials of the department as and when they request to discuss the authority's plans and financial situation
- keep the schools forum regularly updated about the authority's DSG account and plans for handling it, including high needs pressures and potential savings.

2.4 The Secretary of State reserves the right to impose more specific conditions of grant on individual local authorities that have an overall deficit on their DSG account, where they believe that the LA are not taking sufficient action to address the situation.

2.5 WNC is not currently predicting an overall deficit on the DSG. However, the authority is implementing the final point under section 2.3 above, and therefore will keep the schools forum regularly updated about the authority's DSG account and plans for handling it, including high needs pressures and potential savings (see agenda item 5).

3 Financial Overview by DSG Block

3.1 This section of the report provides an update on the variations against 2021-22 DSG budget by funding block and movements from the position reported to January Schools Forum.

3.2 Schools Block

Gross Budget £300.3m

Net budget £65.3m (net of recoupment)

Provisional outturn £64.6m

Provisional outturn variance (£0.7m)

Variance percentage (1.1%)

Change since last Schools Forum reported variance (£0.7m)

3.3 The Schools Block has underspent by £0.7m, with respect to de-delegations (approved by Schools Forum and ringfenced to maintained schools) for redundancy costs, school improvement activity and pupil growth. Schools Forum will be consulted on the application of these funds to their specific usage in the next financial year.

3.4 High Needs Block

Gross Budget £55.6m

Net budget £40.5m (net of recoupment)

Provisional outturn £41.7m

Provisional outturn variance £1.2m

Variance percentage 3.0%

Change since last Schools Forum reported variance (£1.3m)

3.5 The High Needs Block has overspent by £1.2m, largely relating to the increased demand for special school places, and the resultant increased cost of places in independent schools which have had to be used due to West Northamptonshire Special School places being full. The 2022-23 WNC capital programme includes investment in additional resourced places in mainstream and special schools and the council have recently consulted on the requirement for a new 250 place special school, both in seeking to alleviate cost demand pressures across the medium term and provide quality education in county for children and young people.

3.6 This is an improvement of £1.3m from the previously reported position, due to a reduction in the anticipated level of demand for Alternative Provision places in the final quarter of the financial year.

3.7 **Early Years Block**

Net budget £25.4m

Provisional outturn £24.7m

Provisional outturn variance (£0.7m)

Variance percentage (2.8%)

Change since last Schools Forum reported variance (£1.1m)

3.8 The Early Years Block has underspent by £0.7m, due to underspends on vacant posts, projects not being undertaken due to capacity constraints, and an improved position for 2, and 3 & 4-year-old funding based on the latest data driven from the Spring Census.

3.9 **Central Schools Services Block (CSSB)**

Net budget £4.4m

Provisional outturn £4.5m

Provisional outturn variance £0.1m

Variance percentage 2.3%

Change since last Schools Forum reported variance £0.1m

4 **Carry Forwards, Reserves and School Balances**

4.1 **Carry Forwards and Reserves**

4.2 At the end of 2021-22 the 'in-year' DSG balance was £0.2m. Within this net total is the negative reserve for the high needs deficit of £1.13m which will be brought to nil by the 2022-23 "prior year deficit budget" at the start of the year. The remaining

balances are earmarked for specific purposes. The Schools Block committed carry forwards are summarised in Table 2.

Table 2 – Carry Forwards and Reserves £m

	£m
High Needs Deficit Reserve	£1.13
Early Years Block	(£0.69)
Schools Block	
De-delegation - Trade Union	(£0.09)
De-delegation - School Improvement Grant	(£0.19)
De-delegation - Redundancy	(£0.10)
Growth Fund	(£0.067)
General	(£0.24)
Central Schools Services Block	
School Standards and Effectiveness	(£0.15)
Moderation	(£0.049)
General	£0.24
	(£0.20)

4.3 Decisions regarding de-delegated balances brought forward (earmarked contributions set aside from maintained schools budgets) totalling £0.38m will be consulted upon with maintained schools through Schools Forum in the 2023-24 budget setting process.

4.4 Pupil growth fund balances of £0.067m are expected to be needed in 2022-23 as new classes are planned in the WNC. There is no surplus forecast for the end of 2022-23 including use of the £0.067m.

4.5 School Standards and Effectiveness underspends of £0.15m are as a result of having to put project work on hold due to Covid-19 for part of the year. This is half the prior year's carry forward. This balance is carried forward to 2022-23 to fund this work and projections for 2022-23 are that it will be needed to balance the budget.

4.6 The Wooldale PFI reserve required to meet the Wooldale PFI commitments over the life of the contract totals £3.67m is carried forward to 2023-24. ESFA colleagues have confirmed that technically the PFI reserve does not form part of the "DSG reserves". So is not shown in the table above.

4.7 School Balances

4.8 Within West Northamptonshire, as at 31 March 2022 there were 5 maintained nursery, 65 primary and 3 special maintained schools. There were also 85 primary, 16 secondary, 5 of each special and all through, 3 alternative provision and 1 UTC academies. There were no academy conversions within the 2021-22 financial year. The number of schools planning to convert to academy status in West Northamptonshire continues is 4 in 2022-23.

4.9 Schools Forum decides on the maintained school balance control mechanism, which sets out the criteria against which schools can retain balances. The current agreement is the claw back of excess uncommitted balances above 10%. This is to ensure that schools are investing their funding in the improvement of education for their current students as well as to maintain financial rigour and control.

4.10 The balances are reviewed and if within the school carry forward policy, we are not proposing any changes to that policy. There are no uncommitted balances above the allowable levels.

4.11 Individual schools balances at 31 March 2022 total £10.0m across 5 maintained nursery, 65 primary and 3 special maintained schools. Of this £5.6m is uncommitted and £4.4m is committed.

4.12 A more detailed view on the individual school balances carried forwards can be found in Appendix A.

4.13 School Deficits

4.14 School deficits occur due to a number of factors. A significant factor is falling pupil numbers resulting in a reduced budget allocation as pupil numbers is the key driver in the school funding formula. Other factors that are likely to have an impact in 2022-23 are the rising inflation and utilities costs.

4.15 Four schools were in deficit at the end of 2021-22 comprising a total deficit value of £72k. The number of schools with deficits has increased from 2 to 4, and the overall deficit value has increased by £50k from £22k since the end of the prior year.

4.16 Schools in deficit are a risk to both the authority and the schools concerned both financially and in terms of the potential impact on the pupils within those schools and their education. Usually schools with deficits will need to reduce their expenditure in order to pay back the deficit in the next financial year. Taking such action often requires a review of the staffing structure within the school.

4.17 All schools with a deficit are required to submit a financial recovery plan and progress against this is monitored by the school, its governors, Schools Finance and where relevant the Learning and Effectiveness team.

4.18 Although schools are autonomous bodies the authority has continued to increase the accountability and reporting requirements on schools in deficit. Schools with deficits are required to submit for review and approval a financial recovery plan and submit either monthly or quarterly monitoring reports, depending on the scale of the deficit, so that the authority can review whether the school is on target to meet the financial recovery targets it has agreed to. This has allowed both schools and the authority to

better track financial performance against each schools agreed recovery plan and ensure prompt action is taken if projections indicate the planned targets are projected not to be achieved.

5 Financial implications

5.1 Resource and financial implications of the WNC DSG budget are set out in the body of, and appendices to, this report.

6 Legal implications

6.1 There are no legal implications arising from the proposals.

7 Risks

7.1 This report sets out the financial provisional outturn and any risks identified in the Council's DSG budgets.

8 Recommendations for Schools forum

8.1 That Schools forum notes the provisional outturn position for the year ended 31 March 2022.

8.2 That Schools Forum notes the carry forwards and reserves, and school balances position as at 31 March 2022.

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