

Agenda Report Item 4

Date: 9 December 2021	Item 4	Type of report: For Discussion and decision
Report title:	Dedicated Schools Grant- 2021-22 Budget Monitor and Financial Update.	
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1. Executive Summary

This report sets out the latest in-year budget monitoring for the 2021-22 Dedicated Schools Grant (DSG) and provides an update to members on the latest school finance events.

2 Schools Forum Actions

That the Schools Forum

1. Note the DSG end of year financial forecast position for the year ending 31 March 2022.
2. Note the position on the schools in deficits
3. Note the position on redundancies
4. Agree to the Schools Organisational Group merging with Head teachers Schools Strategy Board
5. Agree that the terms of reference of the Schools in Financial Difficulty have two clauses added
 - a. Applications to the panel will be submitted to the Local Authority 10 working days before the panel meeting
 - b. Panel members will receive the papers 5 working days before the meeting

3. Overall Position

1. This is a very early look at budget monitoring and the information contained in this report needs to be viewed with extreme caution given that many of the budgets are demand and participation led.
2. The overall position on budget monitoring is summarised in the table below.

Table 1 DSG Budget Monitoring

	DSG Allocation 2021-22 September £000	DSG Allocation 2021-22 November £000	Over/ (Underspend) £000
Schools Block	120,144	120,144	0
Central services block	1,782	1,782	0
High Needs Block	52,921	52,891	0

Early Years Block	26,690	26,690	0
Total	201,537	201,507	0
Deficit carry forward from 2020-21			20,595
Total deficit at the end of the year 2021-22			20,595

The
2021/22
DSG

allocations are after deductions for academies recoupment and direct funding of high needs places by ESFA but before the Schools Block transfer. These allocations will be revised by the ESFA during the year for changes in pupil numbers.

Note – The reduction of £30k in the DSG allocation relates to a change in the recoupment for the High Needs Block.

3.1 Early Years Block

An adjustment has been made to last year's allocation, which is not shown in the above table, which will mean we will receive less cash than expected this year. The adjustment totals £572k and it relates to the Autumn Term 2020 and Spring Term 2021 funding which was originally based on the January 2020 numbers and this has now been revised to the January 2021 numbers. This adjustment was expected and an estimated accrual at the end of the 2021/22 financial year was made in the accounts for £610k.

Likewise the 2021/22 Early Years Block of the DSG would normally be calculated using January 2021 and January 2022 roll numbers, meaning that the final allocation would not be known until the July 2022, four months after the end of the year. Due to the impact of covid on pupil numbers, the DfE is allowing LA's to opt for funding on termly numbers rather than January numbers. This option has to be taken up by 10 December 2021. In some respect the choice for us is between the October 2021 numbers, which are of course known and what the numbers are likely to be in January 2022, an unknown. All our indications are that the January 2022 will be higher than the October 2021 roll and, therefore, the option will not be taken to have termly counts.

3.2 High Needs

The High Needs block remains the main risk area in the DSG. The current deficit recovery plan shows that we will be in a balanced position at the end of this year. At the moment the indications are good that this will be achieved. However, there is a current pressure on the placements budget of £670k although there are other savings, particularly on Alternative Provision, that will fully offset this. The data is still being analysed on the placements that started this academic year and this of course may change the position and as this is a needs led budget this forecast is highly subjective and could change significantly during the year.

The high needs management plan will be discussed as a separate item on the agenda.

3 Financial position on de-delegated budgets and growth fund

Table 2 De-delegated budget monitoring position

2020-21	Budget £m	Forecast Outturn £m	Over/ (Underspend) £m
Schools in financial difficulty	0.5	0.5	0
Behaviour Support services	1.4	1.4	0
Maternity	0.8	0.6	0.2
Trade Unions	0.1	0.1	0
Growth Funds	0.1	0.1	0
Falling Rolls	0.2	0.2	0

4 Schools Financial Position

The September budget monitoring returns from schools have now been collated. Schools are forecasting an accumulated surplus by the end of March 2022 of £7.8m, this compares to a carry forward from March 2021 of £13.7m. That means our schools are spending £5.9m more than they are receiving this year. Significantly, our maintained primary schools receive just over £6,000 per pupil but in reality are spending around £6,400 per pupil, that can't continue.

There are 21 schools that forecast a deficit and in total the deficit is £3.5m. Further cause for concern is that the October census, which the schools budget for 2022/23 will be based on shows a further fall of 530 pupils.

The aforementioned 21 schools will need to repay their deficit over the next three years, and we know that this will prove challenging in a climate of falling pupil numbers and may put at risk the delivery of a high quality education.. Together we need to develop a culture where it is unacceptable to have a deficit. The Local Authority has no power or funding to write off school deficits.

Virtually all the schools in deficit were known before lockdown. Discussions were taking place between the Chair of Governors, Head Teacher and the Director of Education on the budget position. As we entered the Covid pandemic those discussions and potential reorganisations were put on hold or at a slower rate. Now, with a slightly more settled position, we must refocus on the necessary action that needs to be taken by school leaders to recover the situation.

If a school has a deficit there must be an agreed deficit recovery plan to bring the school budget back into balance/surplus. Some schools have submitted plans that do not bring the budget back into balance. If a school submits a deficit budget in any of the three years of the plan that does not come back into balance it will be returned to the Chair of Governors and Head Teacher for revision. The licenced deficit application process will then follow.

5. Redundancy

A number of schools have asked about the position regarding the cost of redundancies. The position is that for an on-going reorganisation the cost of redundancies is met from the funds held by the Schools in Financial Difficulty Panel. The panel considers each reorganisation on a case by case basis and will turn down a case when there is a "good cause". The capital costs are not covered.

A good cause can be as follows:

- If a school has decided to offer more generous terms than the authority's policy;
- If a school is otherwise acting outside the LA policy;
- Where the school is making staffing reductions which the LA does not believe are necessary to either set a balanced budget or meet the conditions of an agreed deficit arrangement;
- Where staffing reductions arise from a deficit caused by factors within the schools control;
- Where the school has excess surplus balances and no agreed plan to use these;
- Where a school has refused to engage with the LA's redeployment policy;
- Approval in principle of the reorganisation has not been sought from the panel in advance of the reorganisation.

For closing schools there is no central redundancy pot of funds, the cost will need to be managed within schools and the Education Directorate. Key to this will be co-operation between schools to take staff and the support to the process by the Education Directorate. To help formulate and shape this a paper will be brought to the next Schools Forum on how this will work.

Premature retirement, including ill health retirement, costs must be charged to the school's delegated budget unless the local authority agrees otherwise for costs to be centrally funded.

6. Schools Organisational Group.

At the last meeting the Schools Form agreed to set up the School Organisation Group. The objectives were as follows.

Objectives of SOG

- Promoting choice and diversity in school places
- Promoting high standards
- Championing the rights of parents and families and ensuring every child matters
- Respecting parental preferences
- Achieving sustainable patterns of provision
- Supporting schools to effectively discharge their duties around admissions
- Review the Local Authority annual admissions report.
- Understand the financial impact and implications of place planning
- Consider the detail, flag concerns and gain the view of schools to advise and make recommendations to the Schools Forum on the financial impact of the LA's approach to School Organisation and Pupil Place Planning.

6. While membership was drawn from the wider community of Headteachers, there was agreed one member from the Schools Forum on the group to provide the link between the two. In some respects events have slightly overtaken us and following the place planning meetings there was a request by schools to set up the Head teachers Schools Strategy Board. The two groups have similar remits, it would seem more appropriate to merge the two into one, but still ensure that there was a Schools Forum member on the Board.

7. Schools in Financial Difficulty Panel – Terms of Reference

A recent Internal Audit of the adequacy of the design and operational effectiveness of the Council's approach to identifying, supporting, and agreeing action with regards to schools in financial difficulty, heading towards deficit, and supporting deficit recovery plans has taken place. The auditors and the Local Authority agreed that the School Financial Panel Terms of Reference be updated to state that school documentation should be sent to the Council at least ten working days before the Panel meets otherwise applications will not be considered. In turn it will be a requirement that panel members receive the papers at least five working days before the panel meet.

Dates of meetings will be published in advance for each academic year.