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DERBYSHIRE COUNTY COUNCIL

CABINET MEMBER FOR CHILDREN'S SERVICES AND SAFEGUARDING

8 June 2021

Joint Report of the Executive Director of Children's Services and the Director of Finance & ICT

DEDICATED SCHOOLS GRANT OUTTURN 2020-21 (CHILDREN'S SERVICES AND SAFEGUARDING)

1. Purpose of the Report

To provide the Cabinet Member with a report of the Revenue Budget outturn of the Dedicated Schools Grant (Young People portfolio) for 2020-21.

2. Information and Analysis

2.1. Outturn Summary

The Dedicated Schools Grant (DSG) and 6th form grant income recorded by the Authority in 2020-21 was £368.032m. This, plus the release of a reserve holding rates refunds in respect of schools of £0.721m, resulted in income of £368.753 being available to fund expenditure in 2020-21.

The Revenue Budget Outturn Statement showed full year expenditure of £370.037m. The overspend compared to income is £1.284m, however this includes an underspend of £1.370m which is ring-fenced to schools and a further £0.850m underspend of school growth funding, £0.322m of which has been earmarked to contribute to pre and post opening grants to planned new schools. The overspend falling to the Authority is therefore £2.976m.

The Authority will report a DSG deficit reserve at the end of 2020-21 of £6.187m. Other DSG committed reserves totalling £5.030m offset this deficit reserve within the Authority's accounts meaning that the aggregate reported DSG position is a net deficit reserve of £1.157m.

Following a consultation with LAs and other stakeholders, the DfE have amended the School and Early Years Finance (England) Regulations such

that a DSG deficit must be carried forward to be dealt with from future years' DSG income, unless the Secretary of State authorises the LA not to do this.

As a first step to recovering the deficit in Derbyshire, the Schools Forum agreed in January 2020 to allocate only some of the 2020-21 Pupil Growth fund within the Schools Block. The Forum agreed to leave £1.325m of the £3.428m grant for 2020-21 unallocated as a positive contribution towards the shortfall and the reported position for 2020-21 reflects this contribution.

In setting budgets for 2021-22, the Schools Block was overcommitted to maintain the National Funding Formula factors where the rise in pupil counts was not yet reflected in the calculation of funding allocated to the Authority. This shortfall was met from the Pupil Growth Fund. The only planned contribution to the deficit in 2021-22 is from the Central Schools Services Block which the Schools Forum agreed should be under-committed by £0.725m for this purpose.

The significant areas of expenditure and income for 2020-21 are shown in the table below:

	Controllable Budget £m	Actuals £m	Over/(Under) Spend £m
Expenditure			
Central School Services Block	4.265	4.261	(0.004)
Schools Growth funding incl KS1	3.448	1.273	(2.175)
Re-pooled school funding	4.489	3.120	(1.370)
Early Years Block – Central LA expenditure	1.338	1.220	(0.118)
Early Years Block - Schools/PVI	39.676	40.221	0.545
High Needs Block – LA expenditure	64.353	69.606	5.253
High Needs Block – Allocated LA School budgets	3.200	3.200	0.000
Schools Block – LA mainstream Primary and Secondary schools	247.136	247.136	0.000
Total Expenditure	367.722	371.260	3.538
Dedicated Schools Grant Income	(361.745)	(361.873)	(0.148)
6th Form Grant	(6.825)	(6.825)	0.000
Release of rates reserve	0.000	(0.721)	(0.721)

	Controllable Budget £m	Actuals £m	Over/(Under) Spend £m
Total Income	(367.904)	(368.753)	(0.848)
(Surplus)/Deficit	0.000	1.284	1.284

2.2. Key Variances

2.2.1. Schools Growth funding, underspend £2.175m

£0.725m of pupil growth funding received in 2020-21 was earmarked with the approval of School Forum for pre and post opening grants for new schools. Grants of £0.403m were made during 2020-21 and the unspent allocation of £0.322m has been transferred to an earmarked DSG reserve to contribute to future payments.

Schools Forum approved that £1.325m of growth funding could be left uncommitted for 2020-21 to be set against either in-year or accumulated overspend within the High Needs Block.

The balance of the underspend, £0.528m, is primarily due to allocations to support schools to meet KS1 pupil/teacher ratios being lower than anticipated.

2.2.2. Re-pooled school funding, underspend £1.370m

The net underspend is ring-fenced to schools and has arisen mainly because claims from primary schools for the cost of covering staff on maternity leave were lower than the re-pooled amount leading to an underspend of £0.420m. Also, the top-sliced amount collected for redundancy costs exceeded actual costs in year by £0.701m. This underspend has been transferred to an earmarked DSG reserve.

2.2.3. Early Years Block – Schools/PVI, overspend £0.545m

The final Early Years Block allocation for 2020-21 will not be determined until November 2021 (usually July) and will be calculated 75% on January 2020 planned attendance and 25% on January 2021 planned attendance at schools and settings. Although Early Years settings were open during the lockdown period between January and March 2021, attendance in January 2021 was lower and then rose throughout February and March 2021. As the Authority's expenditure is determined by the number of hours that children actually attend settings and the funding is driven by the planned attendance recorded in January 2021, there is expected to be a reclaim of grant by the DfE and this anticipated recovery has been reflected in 2020-21 outturn and is the main cause of this overspend.

2.2.4. High Needs Block, overspend £5.253m

Top-ups paid to mainstream schools in Derbyshire were greater than planned by £3.063m due to a greater number of children for whom this support was assessed as being required.

Expenditure on top-ups paid to special schools within Derbyshire exceeded plan by £1.209m, again mainly due to an increase in the number of children receiving support in their education from these establishments.

Planned spend was also exceeded by £2.417m where children were educated in schools in other local authority areas or where provision was made in independent and non-maintained special schools. This increase above planned expenditure was due both to increased numbers of children supported in this way and an increase in the average cost of provision overall.

These overspends were offset by underspends on High Needs Block central services provided by the Authority totalling £1.048m. These underspends are primarily due to lower travel expenditure and lower expenditure on supplies and services due to staff working remotely and delivering support virtually. There was also lower expenditure on specific support for individual pupils due to lower referrals into services.

2.2.5. Dedicated Schools Grant income, underspend £0.148m

The underspend is due to grant receipt in respect of Early Years 2019-20 received during 2020-21 following finalisation of grant allocations for the Early Years Block.

2.2.6. Release of Rates Reserve, underspend £0.721m

The underspend is due to release of rates refunds received in respect of schools where appeals against valuations had been lodged. School rates are funded by the DSG and it is therefore appropriate that reductions in this expenditure are allocated back to the DSG and help mitigate against the deficit position.

2.3. DSG Reserves

The table below shows the movements in the individual elements of the Dedicated Schools Reserve during 2020-21.

The Authority is now recording an overall deficit on the DSG reserve of £1.157m which represents cumulative overspend against allocated grant of £6.188m which is being offset by other earmarked DSG funds.

The Department for Education (DfE) has issued a template recovery plan and has indicated that Authorities that show either a deficit DSG

balance or a significant reduction in their DSG reserve will need to demonstrate to the DfE that an action plan is in place to address this deficit. Derbyshire is building on the work identified within the SEND review by ISOS to ensure that SEND provision is effective and efficient and continues to make representations to DfE to ensure that need is adequately funded.

Reserve title	Balance before final DSG outturn Surplus/ (Deficit)	Increase/ (Decrease)	Balance at 31 March 2021
	£m	£m	£m
Uncommitted DSG	(3.228)	(2.959)	(6.188)
Support for pupils in schools	0.038	-	0.038
New Schools pre and post opening grants	2.102	0.322	2.424
Schools re-pooled funds	1.063	1.370	2.433
Early Years contingency	0.152	(0.016)	0.136
Total	0.127*	(1.284)	(1.157)

*Note: The closing balance at the end of March 2020 was a surplus of £0.188m however £0.061m was drawn down during the year, mostly to cover increases to the budget allocated for schools' rates bills.

2.4. Individual School Balances

Collectively, local authority school and PRU budgets underspent in-year by a total of £11.355 million after allowing for a reduction of £0.328 million due to schools converting to academy status. The following table shows an analysis of schools' balances as at 31 March 2021 compared with the position at 31 March 2020.

	Nurs	Prim	Sec	Spec	Total
	(£ million)	(£ million)	(£ million)	(£ million)	(£ million)
Balance as at 31 March 2021	0.517	29.459	2.313	1.066	33.356

	Nurs (£ million)	Prim (£ million)	Sec (£ million)	Spec (£ million)	Total (£ million)
Balance as at 31 March 2020 – schools remaining maintained	0.383	20.082	0.858	0.678	22.000
Balance as at 31 March 2020 – schools converted to academy in 2020/21	0.000	0.537	(0.422)	0.013	0.129
Net Increase/(Decrease) (£ million)	0.134	8.840	1.878	0.375	11.227
March 2021 surplus balances (£ million)	0.517	29.760	2.949	1.090	34.316
March 2020 surplus balances (£ million)	0.383	20.619	0.436	0.691	22.129
March 2021 deficit balances (£ million)	0.000	0.300	0.636	0.024	0.960
March 2020 deficit balances (£ million)	0.000	0.737	1.097	0.049	1.883

In addition to the £33.356 million held by schools, £1.569 million was held in the Schools' Capital Reserve account. This reserve holds earmarked funds for future capital developments at individual schools in order to minimise the distorting effect of holding these funds within their own school balances.

The significant increase in overall school balances is driven by lower spending in schools during the year due to fewer pupils in school and the cancellation of exams. In addition, schools receive additional grants from DfE for PE and catch-up for pupils and the opportunities to run activities and programmes using these funds has been constrained due to the pandemic during 2020-21.

3. Financial Considerations

As detailed in the report.

4. Other Considerations

In preparing this report the relevance of the following factors has been considered: legal, prevention of crime and disorder, equality of opportunity, environmental, health, human resources, property, social value and transport considerations.

5. Key Decision

No

6. Call-in

No

7. Background Papers

Held on file within Children's Services Department. Officer contact details – Karen Gurney, extension 38755.

8. Officer Recommendations

That the Cabinet Member notes the report.

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