

**Report to:** Schools Forum

**Date:** 24<sup>th</sup> June 2021

**Report of:** Julie Beattie, Finance Manager (Schools & Fair Funding)

**Title:** 2020/21 Non-Schools DSG Outturn Position

## 1. Purpose of the Report

To inform Schools Forum of the DSG Non-schools outturn position as at 31<sup>st</sup> March 2021

## 2. Breakdown

2.1 As at 31<sup>st</sup> March 2021 the cumulative net DSG Non-schools outturn position is a surplus of £2.484m. The breakdown by DSG Block is set out in the table below together with the 2019/20 position.

2.2 Table 1 Analysis of DSG reserves 2020/21

	C/F 2019/20 as per Schools Forum report	Appropriations on Voyager during 2020/21	2020/21 Year End Appropriations	Cumulative 2020/21
	£	£	£	£
Schools Block	(3,033,704)		(1,352,088)	(4,385,792)
Central Schools Services Block	(618,134)		(95,973)	(714,106)
Early Years Block	(1,928,254)		927,010	(1,001,244)
High Needs Block			(5,440,216)	(5,440,216)
High Needs Block Deficit	14,057,047		(5,000,000)	9,057,047
DSG Reserve	<b>8,476,955</b>	<b>0</b>	<b>(10,961,266)</b>	<b>(2,484,311)</b>

*Please note the figures reported above differ from those published in Birmingham's Statement of Accounts due to a late adjustment between Schools Reserves and Non Schools DSG relating to devolved formula capital of £1.1m which will be adjusted for in the 2021/22 accounts.*

2.3 It is to be noted:

- a) The net DSG Surplus of £2.5m comprises of a gross surplus of £11.6m and a gross deficit of £9.1m.
- b) Total net DSG has improved by almost £11m from 2019/20.
- c) Local authorities that have a cumulative DSG deficit of 1% or more at the end of a financial year are required to submit a recovery plan outlining how they will bring their deficit back into balance.
- d) As the LA now shows a net surplus, we will not be required to provide a deficit recovery plan to the EFA. However, the LA will be recouping a further £5m in 2021/22 as part of High Needs Deficit Repayment Plan as agreed with Schools Forum at the January 2020 meeting.
- e) There were no in year appropriations actioned during 2020/21 – however there was an agreement at the January 2020 meeting for the following:
  - £1.8m of the 2019/20 Early Years Block underspend would be utilised to make one-off pro-rata payments to providers in order to mitigate the risk of an overspend as the early years funding formula has been difficult to predict with the introduction of the 30 hours targeted entitlement for working families
  - £5m of the High Needs budget would be set aside in 2020/21 as part of High Needs Deficit Repayment Plan

2.4 The final key issues for 2020/21 DSG were as follows:

#### **2.4.1 Schools Block £1.4m underspend**

- (a) The Schools Block was underspent by £1.4m due to:
  - i. underspend of £1.2m on de-delegated Closing Schools Contingency Fund - £0.6m is due to the local authority deciding to exercise the flexible use of capital receipts policy with the remainder being due to the reduced number of academy conversions during 2020/21.
  - ii. overspend of £0.7m in Falling Pupil Fund
  - iii. underspend of £0.5m on Growth Fund
  - iv. underspend of £0.4m against rates budgets
- (b) The LA has been supporting schools with deficits to either come out of deficit and/or stop them increasing. As at 31 March 2021 the net balance on the school carry forward excluding academies was £76.4m, which comprised £82.8m surplus balances from 207 schools and £6.3m deficit balances from 28 schools. It should be recognised that 2020/21 has been a difficult year with the COVID-19 pandemic and the true financial position will probably evolve over the next few years.
- (c) In the financial year 2020/21, 3 schools converted to academy status. The extent of the final balances will not be confirmed until each schools surplus/deficit balance has been determined and confirmed with the school,

in line with ESFA guidelines (4 months after the date of conversion).

#### **2.4.2 Central Schools Services Block £0.1m underspend**

A minor underspend of just under £96k has been identified against this block.

#### **2.4.3 High Needs Block £10.4m underspend**

The net underspend reported on High Needs Block for 2020/21 was £10.4m which mainly comprises of:

- £5.0m underspend being as a contribution to the debt recovery action plan to repay the £14m High Needs deficit from 2019/20 over a period of three years
- £6.8m underspend against the Developing Provision Locally Fund, which has been delayed due to COVID-19

Further details regarding the remaining net overspend of £1.4m, across a range of services, will be provided once these have been discussed in detail with the Assistant Director on her return.

#### **2.4.4 Early Years Block estimated £0.9m overspend**

- (a) The 2020/21 overspend of £0.9m includes £1.8m of 2019/20 Early Years underspend, as reported in Table 1 above, to make one-off pro-rata payments to providers. This was agreed by Schools Forum in December 2019 within the early years annual rates review paper for 2020/21. It was agreed that the full underspend would be passported out to settings retrospectively once the full-year picture was known rather than increase the rate, in order to mitigate the risk of an overspend as the early years funding formula has been difficult to predict with the introduction of the 30 hours targeted entitlement for working families.
- (b) Without this additional one-off payment there would have been an in-year underspend on Early Years of £0.9m. This is similar to the trends experienced over the past few years, exacerbated by the introduction of working parent conditions. It has historically been difficult to forecast the year end position due to these factors and the implementation of the Early Years National Funding Formula's universal and additional entitlement which limits the historical trend data available. This has been made worse during 2020/21 due to the impact of COVID.
- (b) The final 2020/21 DSG Early Years Block allocation is yet to be confirmed by the DFE, although a clawback estimated at around £3.5m has been included within the outturn position reported. Final allocations are expected to be announced in November 2021 and once the 2020/21 DSG Early Years Block allocation is released, Schools Forum will be updated at the next meeting with the final position. The ESFA will clawback any over funding of non-participation allocation based on 9/12<sup>th</sup> of the January 2020 census of and 3/12<sup>th</sup> of the January 2021 census. Schools Forum can then

make a more informed decision in how to treat the actual 2020/21 DSG Early Years Block cumulative balance.

**3. Recommendations**

School's Forum to note the final 2020/21 Non-Schools DSG Outturn Position.