

WESTMINSTER CITY COUNCIL**SCHOOLS' FORUM – 19TH JUNE 2023****REPORT BY LEAD STRATEGIC FINANCE MANAGER – BI-BOROUGH
CHILDREN'S SERVICES****DEDICATED SCHOOLS GRANT OUT-TURN AND SCHOOL BALANCES AS AT
31 MARCH 2023**

This report informs Schools' Forum of the year-end Dedicated Schools Grant (DSG) outturn position as at 31st March. The report also covers schools' balances.

FOR INFORMATION

1. INTRODUCTION

- 1.1 Westminster City Council receives an allocation of Dedicated Schools Grant (DSG) from the Education and Skills Funding Agency (ESFA) to fund maintained schools and academies and items of central expenditure. The DSG finances schools, central services, early years and high needs expenditure.
- 1.2 The DSG reserve balance is £1.100m as at March 2023. This is the net result of an in-year underspend of £2.267m which cleared the DSG deficit of £1.167m as at March 2022.

2. DEDICATED SCHOOLS GRANT (DSG) OUTTURN AND DEFICIT RESERVE

- 2.1 The final DSG allocation for 2022/2023 was published in March 2023. This confirmed the final DSG as £93.377m. This is after deductions for recoupment academies (£76.634m) and high needs places (£3.170m).
- 2.2 The final outturn position was net expenditure of £91.110m.
- 2.3 The underspend of £2.267m offsets the DSG deficit brought forward from 2021/22 and results in a net surplus on the DSG. The DSG reserve balance in Westminster is now £1.100m surplus.

Table 1 – DSG Outturn Variances

DSG Block	Amount (£m)	Commentary
Early Years	0.000	The final funding allocations for 2022/23 will be published in July 2023 and any underspends on the Early Years Block will be distributed to providers.
Schools	(0.058)	Mainly due to underspend on school restructurings (£0.059m)
High Needs	(2.209)	<p>Net underspend of £1.931m on top ups which reflects the recalibration of the Education Banding Tool (EBT) and bands 8-10 capped at £20,259. This also reflects significant work to verify destinations for 160 students previously in post 16 settings to ensure that EHCPs could be ceased and funding for support was no longer an in-year financial commitment. Further work re the post 16 settings in relation to expected costs for 2021/22 resulted in an underspend of £750,000.</p> <p>The outturn position also reflects the £612,000 agreed by the March 2023 Schools Forum to be allocated to mainstream schools regarding the transfer to the high needs block that was not required.</p> <p>There is a further favorable movement of (£0.197m) since the previous forecast. The key movements were looked after children belongings (£0.059m) due to lower-than-expected recharges as well as a reduction of Speech & Language Therapy costs of (£0.133m) due to a reduction in the anticipated recharge for WCC pupils in out of borough special schools receiving SALT.</p>
TOTAL in year variance	(2.267)	

3. DSG RESERVE BALANCE

3.1 The table below shows the movement in the DSG reserve balance.

Table 2 – DSG Reserve Balance Position

	(£m)
Deficit balance b/f from 2021/22	(1.167)
DSG in-year underspend	2.267
Net DSG surplus at the end of 2022/23	1.100

4. SCHOOL BALANCES

- 4.1 The detail of individual school balances to be reported to the Department for Education (DfE) as held at 31st March 2023 and compared to the reported balances at 31st March 2022 are shown in Appendix A. These balances reflect the closing information provided by schools. The balances are compared to the relevant calculation for the ESFA's suggested revenue balance limits. The balances are also RAG rated.
- 4.2 Westminster's annual statement of accounts reported an aggregate total of School Balances of £3.482m at 31st March 2023. The net total of school balances is an in-year reduction of £0.604m.
- 4.3 There are 15 schools with deficit balances at 31st March 2023 compared to 11 at 31 March 2022. Of the 11 in deficit at 31 March 2022, 1 school delivered an underspend in the year to get back to an overall surplus and another school closed following amalgamation in September 2022.
- 4.4 Overall, of the 39 schools shown in Appendix A, 26 (67%) reported a net deficit on budget for the year, thereby reducing their surplus balance or increasing their deficit balance and 13 (33%) had a net surplus for the year.
- 4.5 The Council's Scheme for Financing Schools does not permit a school to plan for a deficit budget. Where in exceptional circumstances deficits cannot be avoided, then such deficits need to operate under licence. This requires the school to agree a deficit recovery plan with the Authority before the first formal budget is set in the financial year of the planned deficit. The status of the recovery plans for schools in deficit is set out in section 5.
- 4.6 The DfE introduced a requirement in 2022 for LAs to submit high-level Action Plans for managing schools with revenue balance deficits, where the LA has a number or proportion of schools with revenue balance deficits over a certain level. Westminster will meet the threshold this year for requiring Action Plans as there are more than 10 schools, or more than 10% of schools, with revenue balance deficits of 5% or more. The Action Plan should provide a summary of the strategy and steps being taking by the LA to manage and support schools with revenue balance deficits; along with some additional commentary on each of the schools with a deficit of 5% or more and a summary of the current and forecast financial position for those schools. The 2023 plans are due to be submitted mid-July.

5. RAG RATING OF SCHOOL BALANCES

- 5.1 The purpose of RAG rating school balances is to identify any schools that are at risk of going into deficit or are already in deficit and need a financial plan in order to avoid or recover from a deficit to stabilise to a sustainable position.

5.2 It is known that schools are facing increasing and ongoing funding pressures particularly due to falling school rolls, which mean that the potential for WCC schools to encounter difficulties needs to be taken seriously.

5.3 The RAG rating is based on the agreed criteria in Appendix B and shows:

Table 3 – RAG Rating Summary

RAG Rating	No of Schools – 31/3/23	No of Schools – 31/3/22
Red	15	11
Amber	8	9
Green	16	20
Total	39	40

5.4 The 15 red RAG rated schools have an aggregate deficit of £2.607m (an increase of £0.829m (47%) from last year's deficits). These schools are in the following position regarding their recovery plans:

Table 4 – Recovery Plan Position

Status	
Licensed deficit recovery plan agreed with LA	6
Revised deficit recovery plan requested and in progress	4
Licensed deficit recovery plan yet to be received; urgent action required	5
Total	15

5.5 4 schools require an amendment to their recovery plan to get back to a surplus position within the 3 year period. A further 5 schools are yet to submit their deficit recovery plan to the LA (deadline was 2nd May) and an advisor is working with these schools to support them with this.

5.6 Deficit recovery plans need to be reviewed annually and revised as necessary. Progress against the plans are monitored monthly during the year.

5.7 Schools classified as amber are deemed to be at risk and further work will be undertaken to address financial concerns. Assurances that plans are in place to manage ongoing commitments such as staffing, e.g. through restructuring – particularly where this expenditure is being funded from the use of one-off balances, will also be sought. Savings would need to be found to eliminate the dependency on reserves as this is neither prudent nor sustainable.

6. RECOMMENDATIONS

6.1 Schools Forum are asked to:

- 6.1.1 note the DSG Carry Forward position (sections 2 and 3); and
- 6.1.2 note the level of schools balances and summary RAG ratings (section 5).

7. APPENDICES

- A – School Balances 31.03.2023
- B – School Balances RAG rating criteria

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Background papers:

DSG Note and Final Accounts 31st March 2023
Westminster City Council Scheme for Financing Schools

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