

**WESTMINSTER CITY COUNCIL****SCHOOLS' FORUM – 6TH JUNE 2022****REPORT BY LEAD STRATEGIC FINANCE MANAGER – BI-BOROUGH  
CHILDREN'S SERVICES****DEDICATED SCHOOLS GRANT OUT-TURN, DEFICIT MANAGEMENT PLAN  
AND SCHOOL BALANCES AS AT 31 MARCH 2022**

This report informs Schools' Forum of the year-end Dedicated Schools Grant (DSG) out-turn position as at 31<sup>st</sup> March 2022 and the DSG Deficit management plan. The report also covers schools' balances.

**FOR INFORMATION / DECISION**

**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. Papers for the March 2022 schools forum included the latest DSG allocation as £89.176m.
- 1.2 The DSG reserve deficit is £1.167m as at 31<sup>st</sup> March 2022. This is a decrease of £3.554m from the £2.387m surplus as at 31<sup>st</sup> March 2021, due to a net in year overspend.

**2. DEDICATED SCHOOLS GRANT (DSG) OUT-TURN AND DEFICIT RESERVE**

- 2.1 The final DSG allocation for 2021/2022 was published in March 2022. This confirmed the final DSG as £89.176m. This is after deductions for recoupment academies (£76.691m) and high needs places (£2.632m).
- 2.2 The final outturn position was net expenditure of £92.550m, however this is increased by the 2020/21 early years prior year adjustment of £0.180m (net change compared to estimate set up in the 2020/21 accounts). This gives a final net expenditure of £92.730m resulting in an overall overspend of £3.554m.
- 2.3 This overspend of £3.554m is deducted from the DSG reserve held on the Council's balance sheet (brought forward position of £2.387m surplus). The DSG reserve balance in Westminster is now £1.167m deficit.

**Table 1 – DSG Outturn Variances**

<b>DSG Block</b>	<b>Amount (£m)</b>	<b>Commentary</b>
Early Years	0.338	Mainly attributable to the redistribution of the final funds received for 2019/20, agreed by Schools Forum in March 2021 and paid in 2021/22 (£0.231m). Additionally, overspends on maintained nursery supplement (MNS) due to DfE late announcement of reduced funding and on SENIF have been partially offset by underspends on the 2 year old formula and on early years central budgets. A post year adjustment to the DSG is expected when the final funding allocations for 2021-22 is published in July 2022.
Schools	0.746	Overspend is mainly due to restructure costs (£0.526m), St George's growth funding (£0.127m) and an overspend on fair access payments (£0.064m).
High Needs	2.290	Overspends on top ups (£3.131m) including independent special schools, mainly due to an increasing number of EHCPs with the higher banding allocation. Partly offset by underspends against looked after children belongings regulations (£0.388m), the increase in high needs DSG funding in year (£0.210m), alternative provision commissioning (£0.154m) and other smaller underspends across the block.  This is a reduction of £0.333m since the March forecast and largely relates to lower independent and post 16 costs than previously forecast as well as lower recharges from joint funding agreements with social care.
<b>TOTAL in year variance</b>	<b>3.374</b>	
Early Years Adjustment	0.180	2020/21 post-year adjustments (net change compared to estimate set up in the 2020/21 accounts).
<b>Total change to reserves</b>	<b>3.554</b>	

### 3. DSG RESERVE BALANCE

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

**Table 2 – DSG Reserve Balance Position**

	<b>2021/22 (£m)</b>
<b>Balance b/f from 2020/21</b>	<b>2.387</b>
DSG in-year overspend	(3.374)
DSG early years prior year adjustments (net)	(0.180)
<b>Net DSG deficit at the end of 2021/22</b>	<b>(1.167)</b>

### 4. DSG CUMULATIVE DEFICIT POSITION AND DEFICIT MANAGEMENT PLAN

4.1 Table 3 below shows the DSG cumulative reserves and deficit management plan summary.

4.2 The table takes account of the actions agreed at the March 2022 Forum regarding the education banding tool (EBT) review to amend some of the banding values by capping bands 8 – 10 from either April or September 2022 (for schools in deficit) and the recalibration of the EBT. These actions are estimated to reduce the top up allocations to schools (while still meeting the cost of identified provision). There is a part year impact of these amendments in 2022/23 and a full year impact in 2023/24 and it is estimated that the cumulative DSG balance will be back in balance by the end of 2023/24. As noted in the previous high needs papers to the Forum there are assumptions in the forecasts including estimated growth in EHCP numbers of 6% and therefore the forecasts will change. The forecast will be regularly updated with the latest estimates and to take account of the impact of the continuing EBT review actions.

4.3 As noted previously a transfer from the schools block is likely to be required for a least one additional year and this is included in the summarised plan below.

**Table 3 - DSG cumulative reserves and deficit management**

	2021/22	2022/23	2023/24
<b>Opening DSG reserve / deficit</b>	<b>£2.387m surplus</b>	<b>£1.167m deficit</b>	<b>£0.801m deficit</b>
<b><i>In year position / forecast</i></b>			
Early years allocation relating to 2019/20 funded from reserves	£0.231m	-	-
Early years 2020/21 post-year adjustments (net change compared to estimate set up in the 2020/21 accounts)	£0.180m	-	-
Early years overspend mainly due to maintained nursery supplement funding reduction	£0.107m	-	-
Schools and CSS Blocks. Overspend in 2022/23 relates to fair access which will need to be covered by a school budget deduction from 2023/24 onwards	£0.747m	£0.050m	-
High needs overspend / (underspend)	£2.289m	£0.202m	(£0.198m)
Transfer from schools block towards the DSG deficit		(£0.618m)	(£0.618m)
<b><i>Total in year position</i></b>	<b><i>£3.554m overspend</i></b>	<b><i>£0.366m overspend</i></b>	<b><i>£0.816m underspend</i></b>
<b>Cumulative balance / deficit at year end</b>	<b>£1.167m deficit</b>	<b>£0.801m deficit</b>	<b>£0.015 surplus</b>

4.4 It is proposed that the above summary with the supporting papers regarding the detail of the EBT review are submitted to the DfE to demonstrate how the cumulative deficit will be repaid.

## 5. SCHOOL BALANCES

5.1 The detail of individual school balances to be reported to the Department for Education (DfE) as held at 31<sup>st</sup> March 2022 and compared to the reported balances at 31<sup>st</sup> March 2021 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.

5.2 Westminster's annual statement of accounts reported an aggregate total of School Balances of £3.861m at 31<sup>st</sup> March 2022, based on the best information available (including an element of estimates) at the time of closing the accounts. Following this, further work to refine the balances and verify the final position shown on the financial systems shows the final schools balances to be higher by £0.224m at £4.085m. The net total of school balances is an in-year increase of £0.713m.

- 5.3 There are 11 schools with deficit balances at 31<sup>st</sup> March 2022 compared to 13 at 31 March 2021. Of the 13 in deficit at 31 March 2021, two schools have delivered an underspend in the year to get back to an overall surplus this year. Two of the schools with deficits will amalgamate from September 2022.
- 5.4 Overall, of the 40 schools shown in Appendix A, 21 reported a net deficit on budget for the year, thereby reducing their surplus balance or increasing their deficit balance and 19 had a net surplus for the year.
- 5.5 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 6.
- 5.6 The DfE have introduced a new requirement 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 meets the threshold for this year for requiring Action Plans as there are more than 10 schools, or more than 10% of schools, with revenue balance deficits of 7% 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 7% or more and a summary of the current and forecast financial position for those schools. It is expected that the plans will be expected to be submitted around mid-July.

## 6. RAG RATING OF SCHOOL BALANCES

- 6.1 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.
- 6.2 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.
- 6.3 The RAG rating is based on the agreed criteria in Appendix B and shows:

**Table 3 – RAG Rating Summary**

<i>RAG Rating</i>	<i>No of Schools – 31/3/22</i>	<i>No of Schools – 31/3/21</i>
Red	11	13
Amber	6	1
Green	23	26
<b>Total</b>	<b>40</b>	<b>40</b>

- 6.4 The 11 red RAG rated schools, which have an aggregate deficit of £1.779m, are in the following position regarding their recovery plans:

**Table 4 – Recovery Plan Position**

Status	
Licensed deficits agreed with LA and on track with recovery plans	2
Revised deficit recovery plan requested – schools need to amend their recovery plan as a result of their 2021/22 outturn position	9
<b>Total</b>	<b>11</b>

- 6.5 9 schools require an amendment to their recovery plan to get back to a surplus position within the 3 year period.
- 6.6 Deficit recovery plans need to be reviewed annually and revised as necessary. Progress against the plans are monitored regularly during the year.
- 6.7 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 or sustainable.

## 7. RECOMMENDATIONS

- 7.1 Schools Forum are asked to:

- 7.1.1 note the DSG Carry Forward position (sections 2 and 3);
- 7.1.2 approve the deficit management plan (section 4); and
- 7.1.3 note the level of schools balances and summary RAG ratings (sections 5 and 6).

## 8. APPENDICES

- A – School Balances 31.03.2022  
B – School Balances RAG rating criteria

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**Background papers:**

DSG Note and Final Accounts 31<sup>st</sup> March 2022

Westminster City Council Scheme for Financing Schools

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