

ITEM X

Dedicated Schools Grant (DSG) Updates on School Block Credit Balance

Schools Forum –

Recommendation

The Schools Block Working Group to note the following:

- (a) Implication of Local Authority (Capital Finance and Accounting) (England) (Amendment) Regulations 2020, made by what is now DLUHC on accounting treatment of individual DSG block deficit and surplus at year end
- (b) Updates on DSG balances at year end and post year end position
- (c) Updates the use of school's block to finance on therapies cost.

1. Background

- 1.1** The Department of Education (DfE) has funded Schools, Early Years and High Needs through a specific grant known as the Dedicated Schools Grant under section 14 which falls under the Education Act 2002. This specific grant is defined in regulations with annual DfE Operational guide provided to local authorities.
- 1.2** The DSG grant makes clear that it can only be spent on the schools Budget, and not on other aspects of local government expenditure. The grant conditions allow a local authority to carry forward surplus and deficit to future years albeit with School Forum approval. In practice, Schools' Forum usually approves the carrying forward of any DSG overspend and surplus.

2. Accounting Treatment of DSG Reserves

The DfE recently put the ring-fencing requirement into the School and Early Years Finance Regulations 2020 to give it statutory backing and to ensure it falls in line with financial reporting standards and prevent local Authorities from paying off DSG related expenditure from General funds without requesting permission from the Secretary of State.

- 2.1** The accounting treatment for deficit DSG balances was provided by the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020. This requires local authority with a deficit in respect of its school budget for a financial year beginning on 1st April 2020, 2021 or 2022 to note the following:
 - (a) must not charge to a revenue account an amount in respect of that deficit; and
 - (b) must charge the amount of the deficit to an account established, charged and used solely for the purpose of recognising school budget deficits.
 - (c) that the whole (all the blocks together) to be put in an unusable reserve.
- 2.2** The regulations which require the negative balance (DSG deficits) to be held in an unusable reserve comes to an end on 1 April 2023.
- 2.3** The government will be extending the Statutory Override for the Dedicated Schools Grant for the next 3 years from 2023-24 to 2025-26. This recent decision by the government means that the DSG deficit will not be transfer back to the Council's total Earmarked Reserves leading to serious financial implications to local authorities.

3. DSG Balance as at 31/03/2022 and Post Year end.

3.1 The LA overall DSG balance at the end of 2021/22 reported a net deficit reserve of £21.195m.

This is made up of:

Schools Block - £3.411m (Credit balance) – Schools Block considering distributing funds back to schools Early Years Block - £2.982m (Credit balance volatile budget) – Usually distributes funds back to sector High Need Block - £27.688m (deficit) – Currently under DfE Safety Valve consideration.

Total DSG Balance - £21.295m. This figures however excludes various commitments yet to be charged to the DSG by 31/03/2022 some of which were raised by members at Schools Forum.

3.2 The table below shows the revised balance of the Overall DSG deficit position post year end and after discussion and recommendations from the DfE Safety Valve team regarding the accounting for DSG blocks at year end.

Table 1. Revised Cumulative DSG position. – Post Safety Valve

Details	Balance b/d	DfE - Safety Valve	Commitment /accrued	Balance b/d post Safety Valve
DSG Reserves	Total £m	Total £m	Total £m	Total £m
High Needs Block	27,688	-3,186*	0	24,502
Early Years	-2,982	612	2,370	0
Schools Block	-3,411	2,574	837**	0
Balance b/d	21,295	0	3,207	24,502

DfE agreed in principle for those commitments to be actioned. * Payment for the agreed spot purchase of therapies **

4. Commitments and Options for future consideration – School Block surplus

The listed committed work streams and proposed contingency budget are the only possible conditions by which the funds could be spent or excluded from the reserves. All other reserves will be amalgamated into an overall DSG reserves pot as defined by the recent regulations.

4.1 **Proposed - Locality Model £500k requested** – The local authority has since 2019 embarked various Deficit Recovery strategies to help reduce the High Needs overspend. One of the key strategies is the locality model which represents mainstream schools organised into localities where headteachers and SENCOs meet with leaders and officers to discuss pupils needs and support is offered through advice, training, peer support and, where required

More localities were added from September 2022 hence more funding is required. The High Needs block is expecting this request to be approved at school's forum thus this cost has been excluded from the 2022/23 forecast. This cannot be implemented based on post year end position.

4.2 **Proposed - Targeted Funding – Locality model**. Head Teachers or their representatives are also considering a targeted funding to schools for a specific short period with a £200k funds to be set from the school's block underspend to support the overall demands in the High Needs block. This budget should be managed by the locality team. This funding is expected to support all year groups including the post 16 year group which is outside the current contract with Health. This cannot be implemented based on post year end position.

4.3 **Update on Therapies and intervention £837k** – This amount is committed and budget allocated to the above project. Some of the work is currently financed through spot purchase by the SEND service and considered as an excellent strategic fit to the overall Deficit Recovery

strategy. The next stage is to allocate some of the agreed funds to the locality team to deliver this important service to the schools as agreed.

4 Conclusion:

5.1 The Finance Department will present an updated paper to Schools Forum at year end showing the level of expenditure on the above committed projects.

5.2

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