

## ITEM 3

### Dedicated Schools Grant (DSG) Updates on School Block Reported Underspend

Schools Forum – 07 Th November 2022

#### **Recommendation**

**The Schools Forum asked 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 Commitments post year end position and to follow best practice based on recent discussions with DfE.

9

#### **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 local authority to carry forward surplus and deficit to future years albeit with School Forum approval. In practice, Schools' Forums usually approves the carrying forward of an 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 its fall 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. If the DfE does not extent the regulation, the deficit reserve will transfer back to the Council's total Earmarked Reserves leading to serious financial implications to local authorities like Croydon with significant DSG deficit.

### 3. DSG Balance as at 31/03/2022

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** (surplus) – Schools Block considering distributing funds back to schools  
Early Years Block - **£2.982m** (surplus but 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.

### 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 define by the recent regulations.

School Block Working Group was updated on the final position on the Schools Block balance and work streams still committed to complete.

4.1 **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, funding awarded to schools to support identified pupils with needs. More localities were added from September 2022 hence more funding is required. The High Needs block is expecting this request to be approve at school's forum thus this cost has been excluded from the 2022/23 forecast.

4.2 **Therapies and intervention £837k** – This additional service was proposed by the service to meet the recent demands from the schools. The work is currently financed through spot purchase by the SEND service. Schools block in consultation with Head Teachers or their representatives is also considering a targeted funding to schools for a specific short period with a £200k funds to be set by 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 group including the post 16-year group which is outside the current contract with Health.

4.3 **Contingency Fund to Support Schools (Academies & Maintained) in financial difficulties £500k**

This is not a committed cost but a recommendation for consideration. The amount to be allocated and the criteria to be used in selecting such school must be determined if that option in accepted. This includes, instances where there is significant fall in roll. This will allow the funding to be channelled to the appropriate schools.

### 4 Conclusion:

5.1 The Finance Department will present an updated paper to Schools Forum showing the level of expenditure on the two committed projects listed above as a recommendation for next year.

5.2 Croydon is currently under consideration for the DfE Safety Valve intervention funds hence may be considering a disapplication request from the school block to support some of the services listed above in future years.

**Recommendation**

Schools' forum to finally approved the committed projects from the steering group and the proposed contingency reserves as its considered best practice.