

## Schools Forum – 28 June 2022

<b>Title of paper:</b>	2021/22 Dedicated Schools Grant - Outturn report
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### Summary

This report sets out the 2021/22 Dedicated Schools Grant (DSG) outturn position and the updated reserve balance and its associated commitments.

### Recommendations:

<b>1</b>	To note that the 2021/22 financial outturn position of the DSG was an underspend of £6.011m (2% of the overall budget) against a final budget of £308.215m, as per table 2.
<b>2</b>	To note that this under spend has been allocated back to the Statutory Schools Reserve (SSR), resulting in a closing balance of £14.460m for 2021/22, as per table 7.
<b>3</b>	To note that the uncommitted balance on the SSR balance is £9.550m, as per table 7.

### 1. Reasons for recommendations

- 1.1 To enable the formal monitoring of progress against the 2021/22 DSG budget.
- 1.2 To confirm the impact of the 2021/22 outturn on the SSR, the impact on its commitments, and the robustness of this reserve to manage any future risk.

### 2. Background (including outcomes of consultation)

- 2.1 The 2021/22 initial schools budget, as reported at Schools Forum (SF) on 25 January 2021, was £310.745m. The Education and Skills Funding Agency (ESFA) made in-year funding adjustments to the allocation totalling (£2.530m) resulting in a final budget of £308.215m for 2021/22.

An analysis of those movements are set out in table 1 below:

<b>TABLE 1: IN YEAR BUDGET MOVEMENTS</b>	
<b>Reason</b>	<b>£m</b>

High Needs (HN) block import/export adjustment	0.096
Early Years (EY) block adjustment to reflect updated pupil counts	(2.626)
<b>TOTAL</b>	<b>(2.530)</b>

- 2.2 The schools budget is allocated on a block basis; **Table 2** provides a summary of the DSG blocks comparing actual spend to budget and referencing other funding streams.

<b>TABLE 2: 2021/22 OUTTURN SUMMARY</b>				
	<b>Budget as at 25 Jan 2021 SF report</b>	<b>Final Budget £m</b>	<b>Actual Spend £m</b>	<b>(Under)/ Over Spend £m</b>
Schools Block (section 2.3 and table 3)	237.473	237.473	237.260	(0.213)
Central School Services Block	5.218	5.218	5.006	(0.212)
EY Block (see section 2.4)	23.149	20.523	20.312	(0.211)
HN Block (see section 2.5)	44.905	45.001	39.626	(5.375)
<b>TOTAL SCHOOLS BUDGET</b>	<b>310.745</b>	<b>308.215</b>	<b>302.204</b>	<b>(6.011)</b>
Less funding not included in DSG allocation:				
ESFA Income	0.458	0.458		
<b>DSG ALLOCATION</b>	<b>310.287</b>	<b>307.757</b>		

The following sections provide more analysis of the variances shown in **Table 2**.

- 2.3 Schools Block variance – **Table 3** provides a further breakdown of this with detailed narrative in sections 2.3.1 to 2.3.4.

<b>TABLE 3: BREAKDOWN OF SCHOOLS BLOCK VARIANCES</b>				
	<b>Budget £m</b>	<b>Actual £m</b>	<b>(Under)/ Overspend £m</b>	<b>(Under)/ Over Spend %</b>
1. Pupil Growth Contingency Fund	1.383	1.206	(0.177)	(13%)
2. Trade Union Cover	0.061	0.042	(0.019)	(31%)
3. Business rates adjustments	-	(0.018)	(0.018)	(100%)
<b>TOTAL</b>	<b>1.444</b>	<b>1.231</b>	<b>(0.213)</b>	

- 2.3.1 The underspend of £0.177m on the pupil growth fund in 2021/22 is mainly due to the remaining balance on the Schools Block (£0.101m), that could not be equitably allocated to all schools through the NFF during the budget process, was allocated to the pupil growth fund. The remaining £0.076m is the balance on the contingency built into the budget that was not required.

This approach was set out in the SF report dated 1 December 2020 “Proposed pupil growth allocation for 2021/22”.

2.3.2 The underspend of £0.019m on trade union cover budget was mainly due to one union not taking up all its allotted allowance in 2021/22. The underspend of £0.019m will be taken into account when calculating the rate per pupil and lump sum per school for maintained schools and academies in the financial year 2023/24 if de-delegation continues in this financial year.

2.4 Central Schools Services Block variance – the overall variance on this block was an underspend of £0.212m.

2.4.1 This underspend was mainly due to Virtual School funding being substituted by funding from the Pupil Premium Plus Grant (PPPG) and a vacancy in the safeguarding training team. From the financial year 2022/23 the Dedicated Schools Grant is no longer contributing to the Nottingham City Safeguarding Children Partnership due to the reduction in historical commitments funding. This reduction in funding is to be met by the Local Authority who have allocated pressure funding of £0.109m to meet the contribution previously funded by the Dedicated Schools Grant.

2.5 EY’s block variance - **Table 4** provides a further breakdown of this with detailed narrative in sections 2.5.1 to 2.5.7.

<b>TABLE 4: BREAKDOWN OF EARLY YEARS BLOCK VARIANCES</b>				
	<b>Budget £m</b>	<b>Actual £m</b>	<b>(Under)/ Overspend £m</b>	<b>(Under)/ Overspend %</b>
1. 2-Year-old funding for schools/providers	3.127	3.258	0.131	4%
2. 3 & 4-year-old funding for schools/providers	15.791	15.815	0.024	0.2%
3. EY Pupil Premium	0.330	0.370	0.040	12%
4. EY Disability Access Funding	0.097	0.019	(0.078)	(80%)
5. EY Special Education Needs (SEN) inclusion fund	0.170	0.025	(0.145)	(85%)
6. EY Central expenditure	1.008	0.825	(0.183)	(18%)
<b>TOTAL</b>	<b>20.523</b>	<b>20.312</b>	<b>(0.211)</b>	<b>(0.1%)</b>

2.5.1 During 2021/22, the ESFA introduced a one-off variation to the early years funding arrangements in response to the pandemic. Additional termly early years data collection arrangements were put into place for LA’s to submit pupil count data for census weeks in the Summer and Autumn term 2021 to be used alongside the usual January 2022 census. In normal circumstances funding for 2021/22 would have been based 5/12 on January 2021 census and 7/12 on January 2022.

2.5.2 The above figures do not yet reflect the final 2021/22 early years funding adjustment relating to the Spring term 2022, which will be processed by ESFA

in July. It is estimated that this adjustment will increase the funding provided for 2 year olds by £0.057m and decrease the funding provided for 3 & 4 year olds by £0.125m. The net clawback of funding will be taken from the early years contingency in the DSG reserve.

- 2.5.3 The underlying position once the July adjustments are taken into account is an over-spend of £0.074m on 2 year olds and an over-spend of £0.149m on 3 & 4 year olds. An over-spend was anticipated for 2021/22 as a result of the temporary funding arrangements. In September 2020, we implemented a £0.12/hour 3& 4 year old base rate increase reflecting the fact that the discrepancy in the usual count arrangements (i.e. January counts being used to fund the LA but termly counts used to fund providers) had generated a trend of under-spends. Without the benefit of the usual count arrangements to offset this rate increase, the LA has overspent on 3 & 4 year olds for the first time. The early years contingency in DSG reserves is available to support this one-off pressure and the ESFA have confirmed that the usual funding arrangements are being resumed for 2022/23.
- 2.5.4 There will also be a final 2021/22 adjustment for Early Years Pupil Premium although the data is not readily available to estimate the precise impact of this.
- 2.5.5 There has continued to be significantly fewer applications for early years Disability Access Funding (DAF) compared to the DfE projections underpinning our funding level. This underspend has been ring-fenced in reserves as there is an expectation from the DfE that this will be spent to support inclusion of pupils with SEND.
- 2.5.6 The underspend on the SEN Inclusion Fund (SEN IF) was anticipated and has been ring-fenced in reserves ready for distribution to settings to help support heightened speech, language and communication needs. Schools Forum were consulted on this at the last meeting on 25 January 2022, along with revised eligibility criteria for the SEN IF which will eliminate any future significant underspends.
- 2.5.7 Early years central expenditure was under spent in 2021/22. There was an Early Years Teaching & Learning vacant post during this period which has now been appointed to from September 2022. In addition there were vacancies in the Family Information Service resulting in a £0.031m reduction in the recharge from this team. Early years support workers were drawn in to helping provide cover. There was no recharge for property related costs in 2021/22, saving the service £0.047m. Other non-pay costs were underspent in part due to delivery of work, training and events virtually rather than in person with reduced spend on room hire, printed resources and staff travel.

2.6 HN block variances - **Table 5** shows a summary of the HN Block variances.

<b>TABLE 5: BREAKDOWN OF HIGH NEEDS BLOCK VARIANCES</b>				
	<b>Budget £m</b>	<b>Actual £m</b>	<b>(Under)/ Over Spend £m</b>	<b>(Under)/ Over Spend %</b>
1. High Level Needs (HLN) support in mainstream schools – (see section 2.6.2)	8.235	6.951	(1.277)	(16%)
2. SEN resource unit funding	0.782	0.689	(0.093)	(12%)

3. Special schools	11.022	10.993	(0.029)	(0.3%)
4. Net cross border top ups with other LA's	0.357	0.200	(0.157)	(44%)
5. Post 16 HLN top ups in FE settings	1.300	1.278	(0.022)	(2%)
6. Independent/Non Maintained Specials	1.582	1.432	(0.150)	(9%)
7. Behaviour PRUs & devolved AP – (see section 2.6.3)	7.031	4.886	(2.145)	(31%)
8. Hospital & Home Education including NEST asylum seeker provision	2.327	2.296	(0.031)	(1%)
9. Education cost residential placements (see section 2.6.5)	1.371	0.345	(1.025)	(75%)
10. Fair access	0.281	0.195	(0.086)	(31%)
11. Outreach	0.180	0.172	(0.008)	(4%)
12. High Needs settings TPG/TPECG	0.123	0.116	(0.007)	(6%)
<b>SUB TOTAL - Demand driven</b>				(15%)
13. LA support services – (see section 2.6.6)	3.373	3.078	(0.295)	(9%)
14. SEN transport contribution	1.000	1.000	-	-
15. Disability Access – (see section 2.6.7)	0.200	0.151	(0.049)	(25%)
<b>TOTAL HN spend (LA)</b>				(3%)
16. Places funded via recoupment	5.837	5.837	-	-
<b>TOTAL (see section 2.6.3)</b>	<b>45.001</b>	<b>39.627</b>	<b>(5.375)</b>	<b>(12%)</b>

2.6.1 As an LA receiving ceiling level gains under the High Needs National Funding Formula, our DSG High Needs block allocation after recoupment was £5.4m higher in 2021/22 than 2020/21.

2.6.2 An extra £2.398m was budgeted in 2021/22 for supporting high needs pupils in mainstream schools, following on from a £1.166m increase in 2020/21. Linked to the SEND strategy, a new High Level Needs resource allocation system was implemented in January 2021 for primary aged children. Actual allocations were £1.316m higher in 2021/22 than the previous year but the full budget increase was not immediately required leading to a £1.277m under spend in this area. Rollout is being phased in due to the level of consultation required at each stage; the new approach was rolled out for nursery aged children from January 2022 so this only had a part-year impact. Work will commence on reviewing HLN for the secondary phase in Summer 2022.

2.6.3 The most significant area of underspend relates to funding for provision relating to pupils excluded or at risk of exclusion. After significant investment in the City's Inclusion model approach, overall spend is now finally starting to fall in this area and was £1.222m lower than in 2020/21. During the year, the remaining 5 City secondary schools across 2 Trusts signed up to our Inclusion SLA from January 2022 meaning all City secondary schools are now participating. As such, all City secondary schools receive devolved funding to support pupils at risk of exclusion and are committed to paying full cost recovery charges if they make permanent exclusions beyond a certain level. Detailed assumptions underpin the budgets in this area.

- Permanent exclusions over the period of the financial year were only 10 (8%) under the budget assumption (114v124) but the financial impact hinges on which schools have excluded and crucially whether the school was signed up to the City's inclusion model.
- There were 31 less exclusions than forecast for secondary schools outside of the inclusion model (not signed up at the start of the financial year), and 31 more from schools signed up to the inclusion model.
- The budget assumptions on permanent exclusions that drive the pupil numbers underpinning the Pupil Referral Unit (PRU) indicative budgets do not include any exclusions above allowances because in this event the full cost recovery (FCR) mechanism kicks in and funding is recovered from the devolved funding allocation which is then used to offset the resulting overspend on PRU provision. This has occurred in 2021/22 and £0.683m has been recovered in FCR charges in 2021/22.
- The LA held a £0.359m AP contingency budget to cover the potential costs of schools excluding up to the level permitted by the inclusion SLA, where this had not been assumed within the core budget assumptions. However, this was not required as these schools continued to have very limited permanent exclusions, below the level of their allowances. Over 80% of permanent exclusions from schools participating in the inclusion model were from 5 schools.
- There was an under-spend of £1.110m associated with top-up funding for provision costs at Denewood and Unity learning centres. For the costs associated with PRU provision, the timing of exclusions is relevant with exclusions being 19 less than assumed in the summer term but 6 more than planned in the Autumn/Spring. This results in significantly less days of provision being required in the period. Over the course of the financial year there were 25 less permanent exclusions than budgeted at KS4, but 15 more than budgeted at KS2/3. As a result, the majority of the under-spend on PRU provision relates to the Unity KS4 PRU.

2.6.4 The high needs funding growth available allowed us to build increases into the budget in a number of areas that had over-spent in previous years or where we were aware of demand pressures. The applies to the budgets shown on rows 3,5,6 and 8 in the above **Table 5**. Spend in these areas has increased compared to the previous year but remained within the revised budget allocation.

2.6.5 The underspend on the education costs of residential placements relates to two financial years. At 2020/21 year end, the DSG reimbursement for the

education costs associated with residential placements was carried out to budget. This has been adjusted retrospectively in 2021/22 to reflect actual calculated costs for that year meaning there is a double impact of spend being lower than it was previously in this area. Of the £1.025m reported underspend, £0.471m relates to 2020/21 and £0.555m relates to 2021/22.

2.6.6 The 10% underspend on LA support services is across a range of teams. £0.111m relates to the Inclusive Education Service. There has been significant demand for support from these teams and additional traded income from schools has exceeded the additional staffing costs to provide extra capacity. In 2021/22 we introduced a new £0.080m budget to commission Sensory Occupational Therapy (OT) support, however this was not possible to implement due to the OT being required for COVID catch up activity.

2.6.7 It is currently proposed to increase the Sensory and Physical team by 1 fte specialist teacher of the visually impaired (VI) due to the increase in children and young people needing to access learning through using braille. This cost will be met from the 2022/23 HN block DSG increase, as there is no charge to schools for this support.

2.6.8 The underspend on disability access has been ring-fenced in the reserve within the figure in **Appendix A** row 1.

2.7 The outturn position set out in **Table 2** includes a number of further drawdowns from the SSR. These reserve commitments were outlined in the 2020/21 Outturn Report and **Table 6** below shows the detail:

<b>TABLE 6: IN YEAR RESERVE DRAW-DOWNS AND (REPLENISHMENTS)</b>	
<b>Reason</b>	<b>£m</b>
Trade union cover underspend b/f 2019/20	0.015
Distribution of Early years SEN Inclusion fund underspend 2020/21	0.148
ESFA clawback relating to final Early Years funding adjustment 2020/21	0.643
Routes to inclusion delivery team	0.231
<b>TOTAL</b>	<b>1.036</b>

2.8 The SSR balance as at 1 April 2021 was £9.485m, after in year movements during 2021/22 the balance is £14.460m. **Table 7** below summarises the position:

<b>TABLE 7: RESERVE ANALYSIS</b>	
	<b>Actual £m</b>
Opening Balance as at 1 April 2021	9.485
Less: 2021/22 Draw downs (See Table 6)	(1.036)
Add: 2021/22 Under spend (See Table 2)	6.011
<b>Closing Balance as at 31 March 2021</b>	<b>14.460</b>
Less: Future Commitments (see Appendix A)	(4.910)
<b>Uncommitted Balance as at a 1 April 2022</b>	<b>9.550</b>

**Appendix A** sets out the commitments/ring fenced funding from the SSR resulting an **unearmarked balance of £9.550m**.

The uncommitted element of the SSR is 0.3% of the DSG budget; this was 0.1% as at 31 March 2021. There is no statutory requirement for the levels of this reserve however it needs to align to any risk value. This value will be captured as part of future reports.

- 2.9 All recommendations within this report align to the Schools and Early Years Finance (England) Regulations 2021. Future use of the reserve needs to align to the following expenditure categories set out in **Table 8**.

<b>TABLE 8: EXPENDITURE CATEGORIES</b>
<b>HIGH NEEDS BUDGET</b>
Top-up funding – maintained schools
Top-up funding – academies, free schools and colleges
Top-up and other funding – non-maintained and independent providers
Additional high needs targeted funding for mainstream schools and academies
SEN support services
Hospital education services
Other alternative provision services
Support for inclusion
Special schools and Pupil Referral Units (PRU's) in financial difficulty
PFI/ BSF costs at special schools and AP/ PRUs and Post 16 institutions only
Direct payments (SEN and disability)
Carbon reduction commitment allowances (PRUs)
Therapies and other health related services
<b>EARLY YEARS BUDGET</b>
Central expenditure on early years entitlement
<b>CENTRAL PROVISION WITHIN SCHOOLS BUDGET</b>
Contribution to combined budgets
School admissions
Servicing of schools forums
Termination of employment costs
Falling Rolls Fund
Capital expenditure from revenue (CERA)
Prudential borrowing costs
Fees to independent schools without SEN
Equal pay - back pay
Pupil growth
SEN transport
Exceptions agreed by Secretary of State
Infant class sizes
Other Items

- 2.10 The value of maintained school balances has increased during the financial year 2021/22 from £8.347m to £8.702m.

### 3. **Other options considered in making recommendations**

- 3.1 No other options were considered as part of this report.

### 4. **Outcomes/deliverables**



4.1 To provide SF with the 2021/22 outturn position and to confirm the opening balance of the SSR for 2022/23.

**5. Consideration of Risk (If Applicable)**

N/A

**6. Finance colleague comments (including implications and value for money/VAT)**

6.1 This report contains financial implications.

**7. Legal colleague comments**

7.1 The current law in force in this area is the School and Early Years Finance (England) Regulations 2021, SI 2021/59. Spend from the SSR needs to align with the requirements of the Regulations.

Simon Lambert, Interim Employment Solicitor - 10 June 2022

**8. Other relevant comments**

8.1 None.

**9. Crime and Disorder Implications (If Applicable)**

9.1 N/A

**10. Social value considerations (If Applicable)**

10.1 N/A

**11. Equality Impact Assessment (EIA)**

11.1 An EIA is not required because this report is for information purposes.

**12. Data Protection Impact Assessment (DPIA)**

12.1 A DPIA is not required because the report does not contain new proposals.

**13. Carbon Impact Assessment (CIA)**

13.1 A CIA is not required because this report does not contain new proposals.

**14. List of background papers relied upon in writing this report (not including published documents or confidential or exempt information)**

14.1 None.

**15. Published documents referred to in this report**

15.1 Schools and Early Years Finance (England) Regulations 2021.



## APPENDIX A

No.		Date Approved	Funding Narrative	2022/23 £m	Other comments
1	Disability Access funding	29 March 2012 - Agenda Item 12-03-10		0.522	
2	Pupil growth		In 2020/21 there was a surplus balance on the Schools Block which was allocated to pupil growth	0.733	
3	Pupil growth		In 2021/22 there was a surplus balance on the Schools Block which was allocated to pupil growth	0.177	
4	Trade Union cover underspend b/f 2020/21	08 October 2019 – Agenda item 9	Funding used in the calculation of the rate per pupil and lump sum per school for the financial year 2022/23 for maintained schools and academies trade union representation	0.008	
5	Trade Union cover underspend b/f 2021/22		Funding to be used in the calculation of the rate per pupil and lump sum per school for the financial year 2023/24 for maintained schools and academies trade union representation	0.019	
6	Fair Access Contingency	23 Feb 2017 Agenda item 7	Contingency for emergency expenditure incurred by primary & secondary in year	0.025	Ongoing contingency of £25,000

7	Fair Access partial underspend from 2021/22	23 Feb 2017 Agenda item 7	Available to support Fair Access costs in 2022/23	0.040	To support extra provision costs for pupils in years 7-9 if required. Within agreed carry forward principles in Schools Forum report 23 Feb 2017
8	Early Years DAF underspends 18/19, 19/20, 20/21 and 21/22		Underspend must be ring-fenced for purpose consistent with DAF objectives.	0.274	Proposal required to be brought to future Schools Forum for consultation to spend in line with DAF objectives.
9	Underspend on Early Years Provision 2018/19		This balance is being kept available as an early years block contingency to be drawn down in the event of future overspends	0.652	
10	Underspend on Early Years Provision 2020/21		Balance of the underspend on EY provision for 2020/21 after final DSG adjustment and overspend on provision from 2021/22. To cover final clawback following final EY block adjustment for 2021/22 and further contingency for future overspends	0.673	0.050m of this is ring-fenced specifically for Nottingham Nursery School to be allocated over 2 financial years (see section 2.5.2 of the 2020/21 Outturn report).
11	EY SEN Inclusion Fund underspend 2021/22		To be distributed to schools/providers in Summer 2022 in line with Schools Forum report 25/01/22	0.145	
12	Nethergate expansion		Special school expansion does not qualify for funding from the pupil growth contingency, so is funded directly from reserves. This amount	0.024	

			allows for 3 final classrooms / teaching spaces requiring set up at £8,000 each		
13	R2I Delivery Team			0.180	
14	Initiatives to reduce exclusions, to be allocated in consultation with SF Sub-group			1.438	
<b>TOTAL COMMITTED</b>				<b>4.910</b>	