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**WESTMINSTER CITY COUNCIL**

**SCHOOLS’ FORUM – 01 JUNE 2020**

**REPORT BY LEAD STRATEGIC FINANCE MANAGER – BI-BOROUGH CHILDREN’S SERVICES**

**DEDICATED SCHOOLS GRANT OUT-TURN**

**AND SCHOOL BALANCES AS AT 31 MARCH 2020**

This report informs Schools’ Forum of the year-end DSG out-turn balance as at 31st March 2020. 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. Papers sent for the cancelled March 2020 schools forum indicated that the latest allocation was £84.014m.

* 1. The DSG reserve balance is £2.247m at 31st March 2020. As a result of a 2018/19 net increase of early years funding (£0.372m) and in year overspends (£0.706m) this reduced DSG reserves by £0.334m from £2.581m at 31st March 2019.
1. **DEDICATED SCHOOLS GRANT (DSG) OUT-TURN AND CARRY FORWARD**
	1. The final DSG allocation for 2019/2020 was published in March 2020. This confirmed the final DSG as £83.918m. This is after deductions for recoupment academies (£67.642m), high needs places (£2.651m), copyright licences (£0.135m) and the estimated 2019/20 post year deduction for early years of £0.234m resulting in £83.549m available to spend in 2019/20. The high needs places deduction includes a further late high needs reduction of £0.096m which equates to a reduction of 16, £6k places in another LAs FE colleges at post 16.
	2. The final outturn position was net expenditure of £84.255m, an adverse movement of £0.706m, however this is offset by the 2018/19 early years prior year adjustment in of £0.372m. The final position is an overspend of £0.334m, which the service balanced using DSG reserve held on the Council’s balance sheet (brought forward position of £2.581m). The residual DSG reserve remaining in Westminster is £2.247m.

**Table 1 – DSG Outturn Variances**

|  |  |  |
| --- | --- | --- |
| **DSG Block** | **Amount (£m)** | **Commentary** |
| Early Years | (0.076) | Underspend of £0.029m on the three and four year old formula elements. An overspend of £0.017m on the 2 year old formula and an underspend of £0.064m on early years central budgets. |
| Schools | 1.127 | Overspend on formula schools budget payments of £0.574m, £0.464m is the allocations to schools paid in relation to 2018/19 (approved by the March 2019 Forum) which missed the 2018/19 DSG cut off point, the remainder relates to 2020/21 payments to schools made in 2019/20 which will result in corresponding underspends in 2020/21.The other overspends are in line with the February forecast: the ESFA deduction for copyright licences of £112,295; £350,000 overspend due to school re-organisation costs at nine schools (based on actual cost in 2019/20) and £20,000 overspend on de-delegated Trade Union duties. There was also £0.012m overspend on admissions in relation to fair access payments to schools. |
| High Needs | (0.345) | Overspends on top ups mainly due to full review of out of borough places and ensuring full 2019/20 costs reflected (£0.295m), special and units places (£0.103m), other overspends (£0.109m). Offset by underspends against looked after children belongings (£0.700m), and independent sector placements (£1.353m). Agreed overspends on targeted support (£0.557m), speech and language therapy (SALT) and occupational therapy (£0.644m) |
| **TOTAL in year variance** | **0.706** |  |
| early years adjustment  | -0.372 | 2018/19 prior year adjustment |
| **Total change to reserves** | **0.334** |  |

#### **DSG RESERVE BALANCE**

#### 3.1 The table below shows the movement in the DSG reserve balance. The reserves were reviewed at the January 2020 Schools’ Forum meeting.

#### **Table 2 – DSG Reserve Balance Position**

|  |  |
| --- | --- |
|  | **2019/20 (£m)** |
| Balance b/f from 2018/19 | 2.581 |
| DSG overspend | (0.706) |
| DSG early years prior year net adjustment (2018/19) | 0.372 |
|  |  |
| Balance c/f to 2020/21 | 2.247 |
| Agreed allocation from DSG reserves – January 2020 Schools’ Forum | 0.200 |
| Estimated school restructure costs for 2020/21to support viability as included in January 2019 Schools’ Forum paper | 0.500 |
|  | 1.547 |

1. **SCHOOL BALANCES**

#### The detail of individual school balances to be reported to the Department for Education (DfE) as held at 31st March 2020 and compared to the reported balances at 31st March 2019 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.

#### Westminster’s annual statement of accounts reported an aggregate total of School Balances of £1.839m at 31st March 2020, 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 £0.008m at £1.846m. We have been working with schools in deficit during the year and this schools final returns do not need to be submitted to the ESFA.

#### There are now 14 schools with deficit balances at 31st March 2020 compared to 12 at 31 March 2019. Of the 12 in deficit at 31 March 2019, only two schools have delivered an underspend in the year to get back to an overall surplus this year. Four schools have gone from a surplus to a deficit position in the year.

#### 12 schools have balances in excess of the Education & Skills Funding Agency (ESFA) guidance which refers to balances that exceed 5% of the annual budget for secondary schools and 8% for nursery, primary and special schools. Of these, 5 had a net overspend on budget for the year. Overall, of the 40 schools shown in Appendix A, 24 reported a net deficit on budget for the year, thereby reducing their surplus balance or increasing their deficit balance.

#### 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.

**5 RAG RATING OF SCHOOL BALANCES**

* 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.
	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. Looking ahead the impact of Covid-19 regarding additional costs incurred that may not be claimable from the Department for Education (DfE) and the partial loss of school generated income means that all schools will need to apply further tight financial management to avoid significant worsening of school balances steer through the year if they are not to dramatically worsen by March 2021.
	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 – 31/3/20* | *No of Schools – 31/3/19* |
| Red | 14 | 12 |
| Amber | 9 | 12 |
| Green | 17 | 16 |
| **Total** | **40** | **40** |

* 1. The 14 red RAG rated schools, which have an aggregate deficit of £1.893m, are in the following position with regard to their recovery plans:

**Table 4 – Recovery Plan Position**

|  |  |
| --- | --- |
| Status |  |
| Licensed deficits agreed with LA – recovery plans received/pending | 5 |
| *Of the above,* budget plan to recover deficit and balance in-year | 0 |
| Revised deficit recovery plan requested – those schools that planned to cover a deficit at the end of 2018/19 within 2019/20 but remain in deficit | 5 |
| Further work needed to establish deficit recovery plan by 31/5/2020 | 4 |
| **Total** | **14** |

* 1. Of the 5 schools with licensed deficit recovery plans, 1 of these is ahead of schedule in their deficit reduction. The other 4 had not reduced their deficit by as much as planned by the end of 2019-20.
	2. Of the 5 schools that had planned to recover their deficit within 2019-20, 4 of these have an increased deficit position at the end of 2019-20 compared to the end of 2018-19. The other one has improved their position but is still in deficit.
	3. The 4 schools with further work needed to establish a deficit recovery plan are those that have moved into a deficit position in 2019-20.
	4. Deficit recovery plans need to be reviewed annually and revised as necessary. Progress against the plan should be monitored regularly during the year.
	5. 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.

**6 RECOMMENDATIONS**

 Schools Forum are asked to note:

6.1DSG Carry Forward position); and

#### 6.2 the level of schools balances and summary RAG ratings.

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**7 APPENDICES**

 A – School Balances 31.03.2020

 B – School Balances RAG rating criteria

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**Background papers:**

DSG Note and Final Accounts 31st March 2020

Westminster City Council Scheme for Financing Schools

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