

**Manchester City Council
Report for Resolution**

Report to: **Schools Forum**

Subject: **Dedicated Schools Grant (DSG) and School Balances
2020/21 – Outturn Report**

Report of: **Directorate Finance Lead – Children’s and Schools**

Summary

The provisional outturn for Manchester maintained schools is an overall surplus of **£20.62m**, which is an increase of **£5.80m** in the total Schools Balances (Revenue & Capital) held compared to 2019/20. The final position on the centrally retained element of the Dedicated Schools Grant (DSG) was a **£2.26m overspend**.

This report summarises the:

- Outturn position on school balances as at 31 March 2021
- Final outturn position on the DSG including the centrally retained DSG.

Recommendations

All Schools Forum members are asked to note and comment on:

- Maintained school balances as at 2020/21
- The DSG cumulative deficit balance £2.26m carried forward into 2021/22

Local authorities no longer require Schools Forum to approve DSG deficit balance being carried forward to 2021/22, following the outcome of the DSG consultation in January 2020. DSG deficit is planned to be recovered over the three years by 2022/23, further details in section 5 of the report.

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers listed on the previous page.

Supporting Reports:

16 November 2020	High Needs Block Recovery
18 September 2020	School Funding Settlement 2021/22
20 January 2020	Dedicated Schools Grant 2020/21

1. INTRODUCTION

- 1.1 The purpose of this report is to state and explain the provisional position of the Dedicated Schools Grant (DSG) for 2020/21 in respect of schools and the Council. The final position will be confirmed once the Council's audited accounts (draft 31 July 2021) have been completed in September 2021. The 2020/21 DSG allocation after recoupment for academies and high needs was **£320.64m**, of which **£300.12m** was delegated to schools, **£18.69m** was retained centrally by the Council and **£1.83m** earmarked towards DSG recovery.

2. PROVISIONAL OUTTURN POSITION FOR SCHOOLS

- 2.1 The provisional outturn position for maintained schools is an overall surplus of **£20.62m**. This is an increase of **£5.80m** in the total balances held compared to 2019/20, of which 49% of the increase is in the primary sector and 35% from the special sector. There has been one primary school which converted to academy status in 2020/21, reducing primary school balances by £123k. Table one below displays total schools' balances by sector. The primary sector balances have increased by £2.81m, of which £2.36m is accounted for by 15 schools where balances have increased by more than £100k (balances at four primary schools increased by more than £200k). Most of the £2.05m increase in the special sector can be accounted for by 6 special schools.
- 2.2 Tables two and three below, provide a breakdown of maintained schools' total balances (as shown in table one), by surplus and deficit balances respectively. There has been no significant change in the actual number of schools in surplus and deficit, although there has been a small movement within the sectors.
- 2.3 Schools' deficit balances have reduced by £1m since last financial year, as shown in table three, due to movement within the special and secondary sector. Appendix one provides individual school revenue and capital balances (excludes capital balances for voluntary aided schools).

Table one: Total Balances for Maintained Schools

Sector	2020/21		2019/20		Movement	
	No.	£000's	No.	£000's	No.	£000's
Nursery	2	-92	2	34	0	-126
Primary	92	16,265	93	13,453	-1	2,812
Secondary	6	1,646	6	582	0	1,064
Special	12	2,797	12	745	0	2,052
Total	112	20,616	113	14,814	-1	5,802

Table two: Surplus Balances for Maintained Schools

Sector	2020/21		2019/20		Movement	
	No.	£000's	No.	£000's	No.	£000's
Nursery	0	0	2	34	-2	-34
Primary	90	16,582	91	13,769	-1	2,813
Secondary	6	1,646	5	793	1	853
Special	12	2,797	11	1,631	1	1,166
Total	108	21,025	109	16,227	-1	4,798

Table three: Deficit Balances for Maintained Schools

Sector	2020/21		2019/20		Movement	
	No.	£000's	No.	£000's	No.	£000's
Nursery	2	-93	0	0	2	-93
Primary	2	-316	2	-316	0	0
Secondary	0	0	1	-212	-1	212
Special	0	0	1	-885	-1	885
Total	4	-409	4	-1,413	0	1,004

- 2.4 Annually, an analysis of reserves review is completed for each school with an excess surplus balance. School balances are classified as excessive where the balance is above a certain threshold: 8% of the budget share for nursery, primary and special schools, and for secondary it is above 5% of the budget share. Table four below, provides a summary of the excess surplus balances 2020/21 by sector, showing that schools with excessive balances has increased by 51% (22 schools) compared to last financial year. Further details on the analysis of reserves and excessive balances are detailed in agenda item 5: Analysis of Excessive Balances and Clawback.

Table four: Excess Balances

Sector	2020/21		2019/20		Movement	
	No.	£000's	No.	£000's	No.	£000's
Nursery	0	0	0	0	0	0
Primary	59	4,034	40	2,887	19	1,147
Secondary	1	187	0	0	1	187
Special	5	823	3	157	2	666
Total	65	5,044	43	3,044	22	2,000

3. RETAINED SCHOOL BUDGET 2020/21

- 3.1 The 2020/21 outturn position for the overall retained schools DSG budget is an underspend of **£0.82m**, the cumulative DSG position is an overspend of **£2.26m**. Table five below sets out the note to the Council's provisional annual accounts in respect of the DSG, which will be reported to the Department for Education (DfE). The Council's expenditure on schools is funded primarily by grant monies provided by the DfE in the DSG. An element of DSG is recouped by the DfE to fund academy schools in Manchester. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget as defined in the Schools Finance (England) Regulations 2020. The schools budget includes elements for a range of educational services provided on an authority-wide basis and for the individual school's budget, which is divided into a budget share for each maintained school.

Table five: 2020/21 DSG deployment

DSG Note to the Accounts 2020/21	Central Expenditure £000s	Individual Schools Budget £000s	Total £000s
Final DSG for 2020/21 before academy and high needs recoupment			560,150
Academy and high needs figure recouped for 2020/21			239,508
Total DSG after academy recoupment for 2020/21			320,642
Plus brought forward from 2019/20			(4,281)
Less carry forward to 2021/22 agreed in advance			(2,449)
Agreed initial budgeted distribution in 2020/21	18,689	300,121	318,810
In year adjustments	0	632	632
Final budgeted distribution for 2020/21	18,689	300,753	319,442
Less actual central expenditure	14,190		14,190
Less actual ISB deployed to schools		304,428	304,428
Plus, local authority contribution for 2020/21	0	0	0
In-year carry forward surplus/(deficit) to 2021/22	4,499	(3,675)	824

4. RETAINED DSG DEFICIT

- 4.1 High needs block 2020/21 overspend of £495k, along with overspends in the schools block and central block of £38k and £54k respectively, have been offset by underspends in the early years block of £0.78m, and the underachievement on the planned recovery by £0.63m.
- 4.2 Early years block funding is based on estimated pupil numbers and an adjustment to funding is made by the DfE in July to reflect any increases/decreases between January censuses (i.e. January 2020 and January 2021). This funding methodology has changed temporarily in 2020/21 due to the pandemic impacts on attendance and schools census. The final 2020/21 early years block adjustment will be based on January 2021 and May 2021 censuses. The LA has included approximated accruals for the expected adjustments to the allocation based on the January 2021 census data. The actual adjustments to the budgets are likely to be slightly different, as they will also take into consideration May 2021 census, which at this point cannot be predicted.
- 4.3 DSG carry forward from 2019/20 totalled £4.28mn deficit. The position recovered by £1.2m in-year and by a further £0.82m at year-end, which led to a £2.26m deficit to carry forward to 2020/21 by year-end.

5. DSG RECOVERY

- 5.1 At School Forum in November 2020 it was reported that the projected cumulative DSG deficit, based on period 5 data would be £4.24m in 2020/21, and recovery expected by 2022/23. DSG cumulative deficit 2020/21 of £2.26m, which has reduced by £2.02m since last financial year. The main reason for the reduction is due lower than expected jointly funded placements with Health and Social Care and resolution of early year funding issue in changing the funding methodology for 2020/21, described in para 4.2 above.
- 5.2 DSG received an additional high needs funding (after recoupment) in 2021/22 of £11.46m, of which £9.96m has been allocated to meet demands in growth, and £1.50m is planned to be used towards mitigating the DSG deficit. The projected DSG cumulative deficit 2021/22 as at period 2 is £2.06m. Recovery is still expected by 2022/23, a detailed DSG recovery and tracker will be provided to Schools Forum in future meetings.

6. RECOMMENDATIONS

- 6.1 All Schools Forum members are asked to note and comment on:

- Maintained school balances as at 2020/21
- DSG cumulative deficit balance £2.26m carried forward into 2021/22.

Local authorities no longer require Schools Forum to approve DSG deficit balance being carried forward to 2021/22, following the outcome of the DSG consultation in January 2020.