Report to the Schools Forum 19 May 2022

Dedicated Schools Grant (DSG) Outturn 2021/22

Council DSG Position

1.1 As noted in previous meetings of this Forum, the High Needs area of DSG and therefore Councils' overall DSG positions, continue to be under pressure, both in T&W and elsewhere.

1.2 For Telford and Wrekin, the DSG balance at the start of 2021/22 was a £576,000 surplus. At the end of the year this had decreased to a surplus of £333,000. Whilst local authorities end of year positions will not be collectively published until the Autumn, in the context of the recent history of DSG, this is likely to be a much better position than many other local authorities. At a recent DfE seminar the collective DSG balance in local authorities with deficits was put at £1bn.

1.3 After having incurred a significant deficit in 2017/18, T&W's subsequent ability to stay within budget demonstrates that constructive relationships with schools and other providers, combined with strong service and financial management continue to make a difference to the financial position of the authority.

1.4 However and notwithstanding the continued surplus, given that the allocation of high needs DSG was £2.5m higher (like-for-like) in 2021/22 compared to the previous year, the outturn position reflects the continued and substantial upwards pressure on high needs costs.

1.5 The Council will continue to focus on ensuring that all high needs expenditure is cost effective, and where funds are available, will continue to prioritise support for the resilience of mainstream schools with regard to high needs, alongside funding specialist providers to continue the high quality provision for the most complex children

1.6 There are few indications that the demographic, social and legislative pressures underlying high needs budget pressures are easing. High needs therefore remains an area of significant financial risk, with overall expenditure increasing each year. In particular, the DfE has indicated that increases in high needs funding in the future will be significantly less than in the last few years, with an increase of around 5% indicated in 2023/24 (about £1.5m for T&W) and 3% thereafter (around £1m for T&W). Based upon the current trajectory of expenditure this could lead rapidly to significant financial pressures on DSG. The work to increase resilience of mainstream providers is particularly important in this context.

Maintained School Balances

1.7 Maintained schools ended 2021/22 with revenue balances of over £12m made up as follows;

Single status	£3.0m
General revenue balances	£9.3m
Total	£12.3m

1.8 This represents a significant increase from 2020/21, as equivalent balances then were £10.7m. At the end of 2019/20 revenue balances were only £7m so in the last two years there has been a 75% increase. Previously schools' balances had been relatively stable.

1.9 Capital balances showed a more modest increase, from £1.088m at the start of 2021/22 to £1.147m by year end.

1.10 2020/21 was a far from normal year given the lockdowns arising from covid and amongst issues impacting upon 2021/22, difficulties in recruitment given a tight labour market have led to some schools carrying vacancies for longer than would normally be the case..

1.11 We will however contact schools with balances significantly above the 5% (secondary schools) or 8% (all other schools) thresholds and without budgeted plans in 2022/23 to reduce balances to within these levels, to ensure that we understand school expenditure plans going forward and that they seem reasonable in the context of the school's balances.

Tim Davis
Group Accountant
May 2022