

Wiltshire Council

Schools Forum

11 June 2020

DSG Deficit Repayment 2021-22 onwards

Purpose of report

1. To outline the DfE's change to the School and Early Years Finance (England) Regulations 2020, which sets out the treatment for Dedicated Schools Grant (DSG) deficits.

Background

2. The Department for Education (DfE) clarified that DSG is a ring-fenced specific grant separate from the general funding of local authorities. Any deficit an authority may have on its DSG account is expected to be carried forward to the next year's schools' budgets and cannot be recovered through the local authority's general reserves.
3. The School and Early Years Finance (England) Regulations 2020 which came into force from February 2020 have been amended as follows:
 - Where a local authority has a DSG deficit from previous funding periods it must:
 - o Deduct all that expenditure from its schools' budget
 - o Deduct such part of that expenditure as the authority may determine and carry forward the remaining part to the next funding period, or
 - o Carry forward all that expenditure to the next funding period
 - A local authority may apply to the Secretary of State for authorisation to disregard the requirements above.
4. The impact of these changes upon Wiltshire, carrying a DSG deficit forward from previous years as at the end of 2019-20 mean the options for treating the deficit are:
 - a. The whole of the DSG deficit would be carried forward to the 2020-21 year and deducted from the money available for the 2020-21 year
 - b. Carry part of the DSG deficit into the 2020-21 year and deducted from the 2020-21 allocation, with the remainder being carried forward to the 2021-22 financial year
 - c. Carry all the DSG deficit into the 2021-22 year
 - d. Apply to the Secretary of State for authorisation to disregard the requirements and fund the deficit from another source other than the DSG
5. Due to the timing of the Department for Education's guidance, not being made available until February 2020, options a and b above would not be available to Wiltshire as the school budgets for the 2020-21 year had already been ratified by Schools Forum and approved by the Council.

6. This leaves options c and d open to Wiltshire in order to deal with the DSG Deficit. In the main this would leave the payback of the DSG deficit as at the end of 2019-20 until the financial year 2021-22.
7. Based upon the guidance, the DSG deficit for 2019-20 will need to be repaid in the 2021-22 year, as shown in the table below. Any DSG Deficit as at the end of the 2020-21 year, can be spread over the 2021-22 and 2022-23 financial years.

	2020-21 Budget	2021-22 Budget
2019-20 DSG Deficit	<i>No repayment as budget was agreed prior to new guidance</i>	<i>Whole of 2019-20 DSG Deficit to be recovered in 2021-22</i>

	2021-22 Budget	2022-23 Budget
2020-21 DSG Deficit	The recovery of the whole of 2020-21 DSG Deficit is to be spread over both financial years.	

8. Having established that Wiltshire will need to repay the 2019-20 DSG deficit in the 2021-22 financial year, some indicative modelling has taken place to try and project the financial impact upon schools of repaying the DSG Deficit.

Modelling Impact of DSG Deficit

9. The DSG Deficit at the end of the 2019-20 financial year is projected to be £10½m. Profiling the £10½m deficit across all of our Wiltshire schools based upon the number on roll at each school would suggest a 'cost per school' as per the table below:

Impact Upon Schools	Total NOR	KS1&2	KS3	KS4	Cost to School
Luckington Community School	56	56	0	0	£7,708.63
Hilmarton Primary School	110	110	0	0	£15,141.95
Neston Primary School	211	211	0	0	£29,045.01
Bitham Brook Primary School	332	332	0	0	£45,701.15
Christ Church Primary School	427	427	0	0	£58,778.29
Wyvern College	399	0	276	123	£80,461.44
Kingsbury Green Academy	675	0	412	263	£137,555.74
Abbeyfield School	840	0	491	349	£171,748.50
Hardenhuish School	1,221	0	735	486	£249,091.54
Royal Wootton Bassett Academy	1,407	0	848	559	£287,009.63

(These schools have been selected as a representative sample of all Wiltshire schools for comparative purposes)

10. Based upon the guidance, this £10½m needs to be repaid in the 2021-22 year and therefore it is imperative that the impact of the repayment is modelled to understand whether schools can be fully funded and that the 'minimum per pupil funding level' can be adhered to.

Step 1

11. The Government committed to funding schools an additional £14.5bn over the next three years, as set out below;

	<u>Annual Extra Funding</u>	<u>Total Extra Funding</u>
2020-21	£2.6bn	£2.6bn
2021-22	£2.2bn	£4.8bn
2022-23	£2.3bn	£7.1bn
		£14.5bn

12. Wiltshire saw an annual increase in its School Block from 2019-20 to 2020-21 of £17.540m (excl. Growth). Some of this funding increase was based upon a growth in pupil numbers of 744 pupils, (262 primary and 482 secondary).
13. It is important to understand how much of the additional Schools Block funding of £17.540m has come through the Governments funding pledge (£2.6bn) and how much has come through pupil number growth. The importance of this is to enable us to differentiate the two elements so that future income for the 2021-22 and 2022-23 years can be projected.
14. The table below sets out some of the key metrics between the 2019-20 and 2020-21 years. Growth Funding has been excluded as it is subject to significant variations each year and does not form part of the 'core' school funding.

	<u>2020-21</u>	<u>2019-20</u>	<u>Change</u>	<u>% Change</u>
PUF rate	4,079.69	3,849.15	230.54	5.99%
SUF rate	5,092.09	4,885.94	206.15	4.22%
Primary Pupils	38,495	38,233	262	0.69%
Secondary Pupils	25,365	24,883	482	1.94%
	63,860	63,116	744	1.18%
Premises funding	4,332,340	4,258,777	73,563	1.73%
Schools Block excl. Growth	290,538,324	272,997,732	17,540,592	6.43%
Funding per pupil - DFE	4,549.65	4,325.37	224.28	5.19%

15. Of the uplift in funding of £17.540m, the elements which need to be removed are for the growth in pupil numbers and also the growth in premises funding. This will ensure that we return to a consistent starting point to calculate the impact and Wiltshire's 'real' share of the £2.6bn of additional school funding.

16. The table below shows the breakdown of how Wiltshire's share of the £2.6bn additional funding has been calculated.

2020-21 Allocation		
Excluding Growth		290,538,324
Pupil & Premises Growth		
262*PUF	- 1,068,879	
482*SUF	- 2,454,387	
Premises	- 73,563	- 3,596,829
Pupil-led Funding equivalent for 2020-21		286,941,495
Less: 2019-20 Funding		-272,997,732
Growth in Funding 2020-21 from £2.6bn	5.11%	13,943,763

17. Of the additional £2.6bn of funding from the government, Wiltshire's share has been calculated as £13.944m, an uplift of 5.11%. This excludes any growth in funding respect of pupil number growth and additional premises funding.

18. This logic can now be applied to calculate future years funding allocations for the 2021-22 and 2022-23 financial years, as in the table below.

Funding Pledge Total	2020-21	2021-22	2022-23
Over next 3 years - the pledge is a total of £14.5bn, split annually as in the table	2,600,000,000	2,600,000,000	2,600,000,000
		2,200,000,000	2,200,000,000
			2,300,000,000
	2,600,000,000	4,800,000,000	7,100,000,000
Extra Funding 2020-21 - Wiltshire	13,943,763		
	5.11%		
Projected Extra Funding 2021-22		11,798,569	
		4.11%	
Projected Extra Funding 2022-23			12,334,867
			4.13%

19. In the 2020-21 financial year, all of the funding growth has been allocated to schools, which includes the uplift of £13.944m.

20. For the 2021-22 financial year, of the uplift in national funding of £2.2bn, Wiltshire's projected share is £11.799m, an uplift of 4.11%. The table below sets out how this will impact upon the DSG available to be allocated in accordance with the funding formula to schools.

DSG for 2020-21	290,538,324
Growth - £2.2bn for 2021-22	11,798,569
2021-22 Total DSG excl. Growth	302,336,893
DSG Deficit to offset	- 10,500,000
Available DSG in 2021-22	291,836,893
Growth in DSG from 2020-21	1,298,569
% Growth	0.45%

21. Due to the requirement to repay the 2019-20 DSG Deficit of £10½m, Wiltshire schools will only see a 'real' increase in the size of the schools block of funding of £1.298m which equates to an increase of 0.45%. (It is assumed in the above table that there is no transfer from the Schools Block to the High Needs Block and that the Growth Fund will be funded 100% from Growth funding received, therefore having a neutral impact upon the Schools Block.)

22. The uplift in core Pupil and School lead factors for the 2020-21 year, as part of the National Funding Formula was 4% and applied to the following formula factors;

- AWPU
- Prior Attainment
- EAL
- Lump Sum
- Sparsity
- Deprivation (uplifted by inflation 1.86%)

23. Based upon the uplift of 4% in 2020-21 (£2.6bn of additional funding), it is highly probable that an uplift of 3% for these factors (£2.2bn of additional funding) for 2021-22 would be introduced through the National Funding Formula. In addition, the minimum per pupil funding level (mppfl) is set to increase in Primary schools from £3,750 per pupil to £4,000 per pupil.

Implication for the 2021-22 Year

24. The key question relates to 'affordability' of the funding formula for schools for the 2021-22 year. Initial modelling has taken place using the Authority Pro-Forma Tool (APT) which is the budget tool supplied by the DfE and used to create school budgets, ensuring affordability and compliance with funding regulations.
25. The following assumptions have been made in modelling the affordability of school budgets for the 2021-22 year;
- Pupil numbers are unchanged (to ensure we are comparing consistently)
 - The Wiltshire Growth Fund will be cost neutral i.e. income received = expenditure
 - No transfer between Schools Block and High Needs Block
 - Pupil and School Lead factors uplifted by 3%
 - Deprivation factors uplifted by inflation
 - Minimum per pupil funding level for primary schools increased to £4,000
26. Working this through the APT and looking at the affordability for schools' budgets for 2021-22, the funding formula would be unaffordable, by £5.342m. The table below sets out how this impact has been calculated.

DSG for 2021-22	302,336,893
DSG Deficit Offset	- 10,500,000
Available to Fund Schools 2021-22	291,836,893
Funding required for funding schools 2021-22	297,178,749
Unaffordability Gap	- 5,341,856

27. In order to return financial balance in year would require the following actions;

- Reduction in AWPU's by 10%
- Removal of funding for FSM & FSM Ever6
- Reduction of Lump Sums to £100k
- Removal of Sparsity factor
- No funding of Mobility

28. For each course of action taken, there is a corresponding impact upon the minimum per pupil funding level, which is a mandatory funding factor.

2022-23 and Beyond

29. It is accepted that repaying the DSG deficit is not a problem only in 2021-22 but goes beyond this point too. This report has focussed primarily on the repayment of the DSG Deficit, as at the end of the 2019-20 financial year, being £10½m.
30. The work of the High Needs Working Group is focussing on making in-roads to the financial pressures within the High Needs Block, however future years deficits cannot be discounted and repaying DSG deficits beyond 2021-22 cannot be discounted. The table below sets out a potential DSG Deficit repayment plan, paying back the DSG Deficit in full by the end of the 2023-24 year. (The figures for future years deficits are for indicative purposes only.)

	New NFF for High Needs			
	2020-21	2021-22	2022-23	2023-24
DSG Deficit Balance brought forward	10,500,000	18,500,000	11,800,000	6,800,000
In-year additional overspend	8,000,000	3,800,000	2,000,000	-
Repaid / Offset against DSG Allocation	-	10,500,000	7,000,000	6,800,000
Balance	18,500,000	11,800,000	6,800,000	-

31. For the 2022-23 year, the Schools Block funding is set to increase by £12.334m, the final year of the governments funding pledge to increase the DSG by £2.3bn. Using the same modelling as above, the DSG allocation and DSG Deficit to be repaid for 2022-23 are presented in the table below.

DSG for 2021-22	302,336,893
Growth - £2.3bn for 2022-23	12,334,867
2022-23 Total DSG excl. Growth	314,671,760
DSG Deficit to offset	7,000,000
Available DSG in 2022-23	307,671,760
Growth in available DSG from 2021-22	15,834,867
% Growth	5.24%

32. Again, using the same assumptions as at para. 24, an increase in the Pupil and School lead factors of 3% has been modelled through the APT budget modelling tool. Modelling would suggest that in the 2022-23 year, a repayment of £7m of DSG Deficit would be affordable and leave 'headroom' of £4.675m, as detailed in the table below.

DSG for 2022-23	314,671,760
DSG Deficit Offset	- 7,000,000
Available to Fund Schools 2022-23	307,671,760
Funding required for APT for 2022-23	302,996,189
Headroom	4,675,571

33. Modelling the projections into the 2023-24 financial year, assuming a cash freeze position would also leave 'headroom', as detailed in the table below.

DSG for 2023-24	314,671,760
DSG Deficit Offset	- 6,800,000
Available to Fund Schools 2023-24	307,871,760
Funding required for APT for 2023-24	302,996,189
Headroom	4,875,571

Conclusions

34. Modelling the repayment of the DSG Deficit for the 2021-22 and 2022-23 financial years has shown Wiltshire will not be in a position to repay the 2019-20 DSG Deficit in full in the 2021-22 financial year. The repayment of the £10½m cannot be afforded if Wiltshire is to comply with the funding requirements of the National Funding Formula.
35. Based upon the projected growth in funding in 2022-23 and scale of DSG deficits, Wiltshire will be in a position to repay a DSG Deficit of £7m and still leave an element of 'headroom'. Similarly, this position would be mirrored in the 2023-24 financial year.

Next Steps

36. A disapplication request to be made to the Secretary of State to enable Wiltshire to re-profile its DSG Deficit over the coming years, as repaying the deficit of £10½m is unaffordable in the 2021-22 financial year, however spreading it over the ensuing three years would be sustainable.

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