

**WESTMINSTER CITY COUNCIL****SCHOOLS' FORUM – 17TH JUNE 2024****REPORT BY LEAD STRATEGIC FINANCE MANAGER – BI-BOROUGH  
CHILDREN'S SERVICES****DEDICATED SCHOOLS GRANT OUT-TURN AND SCHOOL BALANCES AS AT  
31 MARCH 2024**

This report informs Schools' Forum of the year-end Dedicated Schools Grant (DSG) outturn position as at 31<sup>st</sup> March. The report also covers schools' balances.

**FOR INFORMATION AND DECISION****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.
- 1.2 The DSG reserve balance is £4.238m at March 2024. As a result of an in-year underspend, the reserve increased by £3.138m from £1.100m at 31<sup>st</sup> March 2023.

**2. DEDICATED SCHOOLS GRANT (DSG) OUTTURN**

- 2.1 The final DSG allocation for 2023/2024 was published in March 2023. This confirmed the final DSG as £95.371m. The £0.290m DfE funding for schools in financial difficulty was also added to the DSG. This is after deductions for recoupment academies (£82.049m) and high needs places (£3.493m).
- 2.2 The final outturn position was net expenditure of £92.523m.
- 2.3 The underspend of £3.138m increases the surplus reserve balance to £4.238m

**Table 1 – DSG Outturn Variances**

<b>DSG Block</b>	<b>Amount (£m)</b>	<b>Commentary</b>
Early Years	0.000	The final funding allocations for 2023/24 will be published in July 2024 when a deduction from the early years block is expected to reflect a reduction of children who accessed 15 or 30-hours of free childcare compared to the ESFA previous estimate. Any funds remaining after the adjustment will be distributed to providers.
Schools	(0.462)	Includes £0.290m additional DfE funding for schools in financial difficulty (proposals in separate paper). There is £0.266m underspend on school restructure costs and £0.117m overspend on falling rolls allocations as funded from reserves.
High Needs	(2.676)	There is a £679,000 underspend for out of borough top ups, £1,506,000 for post 16 placements and £689,000 for independent sector placements while the WCC maintained and academy top ups overspent by £133,000.  This includes a favorable movement of (£1.800m) since the previous forecast. This improved position reflects action taken to validate payment schedules for out of borough and post 16 placements relating to 2022/23 and delayed start dates for two independent placements. Some further historical charges are expected and this has been allowed for in the proposed allocation of the DSG surplus.
<b>TOTAL in year variance</b>	<b>(3.138)</b>	

### 3. DSG RESERVE BALANCE

3.1 The table below shows the movement in the DSG reserve balance.

**Table 2 – DSG Reserve Balance Position**

	<b>£m</b>
<b>Surplus balance b/f from 2022/23</b>	<b>1.100</b>
DSG in-year underspend	3.138
Net DSG surplus at the end of 2023/24	4.238

3.2 The proposed use of the surplus balance is as shown in Table 3 below:

**Table 3 – DSG Reserve Proposed Allocations**

		2024/25	2025/26	2026/27	
	<b>DSG Surplus Balance</b>				<b>4.238</b>
	<b><i>Proposed Allocations:</i></b>				
1	DfE funding for schools in financial difficulty methodology to be agreed in 2024/25, some will be allocated in 2025/26. Proposals included in separate School Place Planning paper	0.290			
2	School restructuring underspend to be added to 2024/25 budget	0.266			
3	School restructuring budget rather than de-delegation	0.450	0.450	0.450	
4	Secondary Fair Access	0.080	0.080	0.080	
5	Delayed relocation of Inclusion Service – Equipment	0.025			
6	Allowance for additional cost as a result of ongoing HN tribunal appeals	0.500	0.500	0.500	
7	2023/24 RPA insurance charges not yet included in DSG accounting	0.045			
	<b><i>Total Proposed Allocations</i></b>	<b>1.906</b>	<b>1.030</b>	<b>1.030</b>	<b>3.966</b>
	<b>Remaining DSG Surplus not to be allocated</b>				<b>0.522</b>

#### 4. SCHOOL BALANCES

4.1 The detail of individual school balances to be reported to the Department for Education (DfE) as held at 31<sup>st</sup> March 2024 and compared to the reported balances at 31<sup>st</sup> March 2023 are shown in [Appendix A](#). These balances reflect the closing information provided by schools. The balances are also RAG rated – see section 5 for further details on the RAG rating.

- 4.2 Westminster's annual statement of accounts reported an aggregate total of School Balances of £3.385m at 31<sup>st</sup> March 2024. The net total of school balances is an in-year reduction of £0.237m.
- 4.3 There are 13 schools with deficit balances at 31<sup>st</sup> March 2024 compared to 15 at 31 March 2023 (total deficit balances have increased by £0.721m to £3.328m). Of the 15 in deficit at 31 March 2023, 1 school delivered an underspend in the year to get back to an overall surplus and another school closed following amalgamation in September 2023. A maintained nursery school is now in deficit following a small in-year deficit.
- 4.4 Overall, of the 37 schools (excluding St Stephens) shown in Appendix A, 18 (49%) reported a net in-year deficit, thereby reducing their surplus balance or increasing their deficit balance and 19 (51%) had a net in-year surplus.
- 4.5 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 paragraph 5.4.
- 4.6 The DfE introduced a requirement in 2022 for LAs to submit high-level Action Plans for managing schools with revenue balance deficits, where the LA has a number or proportion of schools with revenue balance deficits over a certain level. Westminster will meet the threshold this year for requiring Action Plans as there are more than 10 schools, or more than 10% of schools, with revenue balance deficits of 5% or more. The Action Plan should provide a summary of the strategy and steps being taking by the LA to manage and support schools with revenue balance deficits; along with some additional commentary on each of the schools with a deficit of 5% or more and a summary of the current and forecast financial position for those schools. The 2024 plans are expected to be required in the Summer.

## **5. RAG RATING OF SCHOOL BALANCES**

- 5.1 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.
- 5.2 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.
- 5.3 The RAG rating is based on the agreed criteria in Appendix B and shows:

**Table 3 – RAG Rating Summary**

<b>RAG Rating</b>	<b>No of Schools – 31/3/24</b>	<b>No of Schools – 31/3/23</b>
Red	13	15
Amber	7	7
Green	17	17
<b>Total</b>	<b>37</b>	<b>39</b>

- 5.4 The 13 red RAG rated schools have an aggregate deficit of £3.328m (an increase of £0.721m / 28% from last year's deficits). These schools are in the following position regarding their recovery plans:

**Table 4 – Recovery Plan Position**

<b>Status</b>	
Licensed deficit recovery plan agreed with LA	5
Revised deficit recovery plan requested and in progress	4
Deficit recovery plan yet to be received; urgent action required	4
<b>Total</b>	<b>13</b>

- 5.5 Four schools require an amendment to their recovery plan to get back to a surplus position within the 3-year period. A further 4 schools are yet to submit their deficit recovery plan to the LA (deadline was 1<sup>st</sup> May) and an advisor is working with these schools to support them with this.
- 5.6 Deficit recovery plans need to be reviewed annually and revised as necessary. Progress against the plans are monitored monthly during the year.
- 5.7 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 nor sustainable.

## **6. RECOMMENDATIONS**

- 6.1 Schools Forum are asked to:

- 6.1.1 note the DSG Carry Forward position (sections 2 and 3);
- 6.1.2 agree the allocation of the DSG surplus balance (paragraph 3.2) and
- 6.1.3 note the level of schools balances, summary RAG ratings and deficit recovery plan position of schools in deficit (section 5).

## **7. APPENDICES**

- A – School Balances 31.03.2024
- B – School Balances RAG rating criteria

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**Background papers:**

DSG Note and Final Accounts 31<sup>st</sup> March 2024

Westminster City Council Scheme for Financing Schools

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