

Schools Forum

11 January 2024

2023/24 Dedicated Schools Grant Financial Monitoring Report

This report relates to both maintained and academy schools and all members of the Schools Forum and is for information and comment.

Recommendation

Schools Forum is recommended to:

- Note the DSG forecast financial outturn position for 2023/24, as at Period 8.
- Note the forecasted outturn position of the DSG reserve for 2023/24, as at Period 8.

1. Introduction

- 1.1. This report provides an update on the 2023/24 forecast outturn position of the Dedicated Schools Grant (DSG).
- 1.2. The total 2023/24 DSG allocation for Warwickshire, reported to Schools Forum in March 2023, was £542,787m (shown in the original allocation column in Table 1 below).
- 1.3. Since then, the DSG allocation has been updated to reflect the Academy/High Needs recoupment. Table 1 and Appendix A shows the latest allocations to reflect these changes.

| Table 1: 2023/24 Revised DSG Allocations | Original Allocation | Change | Latest Allocation | Reason for Change |
|---|----------------------------|------------------|--------------------------|--|
| | £m | £m | £m | |
| <i>Total Schools Block</i> | 425.638 | 0.000 | 425.638 | <i>Academy recoupment</i> |
| <i>Less: NNDR</i> | (3.719) | 0.000 | (3.719) | |
| <i>Less: recoupment</i> | | (280.527) | (280.527) | |
| Schools Block | 421.919 | (280.527) | 141.391 | |
| <i>Total High Needs</i> | 94.682 | (0.140) | 94.543 | <i>updated for Import/Exports and Special Free Schools</i> |
| <i>Less: recoupment</i> | (15.840) | (0.886) | (16.726) | <i>High Needs recoupment</i> |
| High Needs Block | 78.842 | (1.025) | 77.817 | |
| Early Years Block | 37.924 | 0.692 | 38.617 | <i>Update on allocations for new census data</i> |
| Central School Services Block | 4.102 | 0.000 | 4.102 | |
| Total DSG Allocation | 542.787 | -280.860 | 261.927 | |

2. 2023/24 Forecasts

- 2.1. Table 2 summarises the 2023/24 forecast position by DSG Block, as at the end of November 2023 (Period 8), and Appendix A provides a detailed breakdown:

| Table 2: 2023/24 Forecasts | Latest Allocation | Drawdown from Reserves | Forecast @ | Variance |
|-------------------------------|-------------------|------------------------|----------------|---------------|
| | £m | £m | £m | £m |
| Schools Block | 141.391 | | 141.272 | (0.119) |
| High Needs Block | 77.817 | | 95.330 | 17.514 |
| Early Years Block | 38.617 | | 37.479 | (1.138) |
| Central School Services Block | 4.102 | | 4.219 | 0.117 |
| Total DSG Allocation | 261.927 | 0.000 | 278.300 | 16.373 |

- 2.2. It should be noted that historically the DfE have required all local authorities to complete a recovery plan should the expenditure variance on the DSG exceed 1%. The forecast position of £16.373m equates to a 2.9% overspend, which exceeds the DfE threshold. Due to exceeding the 1% threshold in previous years, WCC does have a recovery plan – on which regular updates are provided to Schools Forum.
- 2.3. Although the total DSG position of the four blocks is used to calculate whether the DSG overspend is above the 1% threshold, the financial reporting is separated into the 4 Blocks. The key financial risk to be highlighted in Table 2 is the £17.514m overspend in the High Needs Block.

3. DSG Offset Reserve position

- 3.1. Table 3 below shows the opening position of the overall DSG reserve as at the 1st April 2023, and the forecasted effect of outturn that informs the forecasted closing (overdrawn) balance of the reserve on 31 March 2024.

| Table 3: 2023/24 Reserves | Opening Balance 01/04/2023 | In Year Drawdowns | Effect of outturn | Forecast Closing Balance as at 31/03/2024 |
|---------------------------|----------------------------|-------------------|-------------------|---|
| | £m | £m | £m | £m |
| Total DSG Reserve | (16.097) | 0.000 | 16.373 | (32.471) |

- 3.2. As part of Warwickshire’s financial resilience, the authority holds a DSG offset reserve which currently totals £26.5050m. The existing MTFs 2023-28 (due to recalibrated for 2024-29 in February 2024) provides for a 2024/25 contribution to the DSG offset reserve of £5.992m, reducing to £2.394m in 2025/26 and then £1.394m each year from 2026/27. The current upward trajectory of the High Needs overspend is not in alignment with these planned contributions, and the December Cabinet paper recommends that no further contributions are made to the offset reserve beyond 2024/25, as it is no longer financially viable to do so.

4. Explanations for Variances

The sections below explain the main reasons for the variances across the Blocks. A detailed breakdown of variances is shown in Appendix A.

Schools Block (£0.119m underspend)

4.1. The underspends on the Schools Block mainly relate to decreased demand on union reps, DBS checks, decreases in support to school leaders around on school improvement activities and general tightening on the forecast to reflect spend to date.

High Needs Block (£17.514m overspend)

4.2. The main material forecasted variances are within the High Needs Block (HNB), with an overall forecasted overspend of £17.514m. Forecasted variances include £3.375m in Mainstream school EHCP top ups, a £2.268m overspend in Special school EHCP top ups, a £9.370m overspend on Independent School places, £1.198m overspend on Specialist Resource Provision and a £1.293m overspend forecasted on Post 16 provision. There is an overall £0.250m overspend on Alternative Provision (AP).

4.3. This large forecast net overspend consists of a number of significant budgets which are subject to interventions by the SEND & Inclusion Change programme (SICP). The over-arching aim over the long term (as funding for SEND is a national issue) is to reduce high costs volumes while increasing lower costs areas of service. For example, reducing the reliance of Independent Specialist Provision and increasing "SEND Top-ups" to mainstream and special schools. A decision taken at the inception of the SICP to set budgets for individual services as they might be after several years of the change programme (i.e., aspirational) does lead to several large over/underspends because budget is set for the future while the forecasted costs are for the present. Therefore, a holistic view is best taken.

4.4. The following table compares forecasted expenditure, FTE and Unit cost between the current forecast and the final position of 2022/23.

| 2022/23 | | | | Current Period | | | Change since 2022/23 | | |
|------------|-------|-----------------------|------------|------------------|-------|-------------------------|----------------------|-------------------------|------------------------------|
| Actual £ | FTE | Raw Average Unit Cost | Service | Units forecast £ | FTE | Raw Average Unit Cost £ | Forecasted £ v 22/23 | Forecast ed FTE v 22/23 | Forecasted Unit cost v 22/23 |
| 10,336,964 | 1,899 | 5,443 | Mainstream | 15,983,977 | 1,618 | 9,876 | 5,647,013.02 | -281 | 4,433 |
| 16,847,265 | 1,508 | 11,169 | Spec Schs | 23,172,119 | 1,631 | 14,204 | 6,324,853.40 | 123 | 3,034 |
| 15,022,209 | 277 | 54,199 | ISP | 24,923,279 | 381 | 65,501 | 9,901,069.90 | 103 | 11,302 |
| 1,074,183 | 116 | 9,300 | Res Prov | 2,059,511 | 180 | 11,429 | 985,328.51 | 65 | 2,129 |
| 7,241,521 | 548 | 13,227 | Post 16 | 10,690,142 | 567 | 18,843 | 3,448,621.93 | 20 | 5,616 |

4.5. The increased expenditure is due to the mix of FTE and Unit cost rises, extrapolating from this data.

Addressing the financial pressures in the HNB

- 4.6. DfE Delivering Better Value scheme. The Council is part of tranche 3 of the DfE Delivering Better Value scheme which is carrying out a diagnostic exercise on current spend and will then lead to case reviews in specific areas. The Council will then be eligible to apply to the DfE for a transformation grant to move forward transformation projects to address the High Needs challenge.
- 4.7. The Council's current response to the current challenge is the SEND & Inclusion Change Programme. Live projects currently include 'Inclusion Framework', Emotionally Based School Avoidance, EHC plan top-up funding, and Supported Internships which are all expected to have positive long term financial impact by reducing the pressure for specialist provision through best practice. Two completed projects include the establishment of the Warwickshire Academy (which will be full in 4 of the 5-year groups it supports in September) and growth of resourced provisions (with 4 more resourced provisions coming online in September bringing to total to 23).
- 4.8. As seen in the financial tables above, the rising demand and costs within the HNB are not sustainable within current funding levels. A national solution is urgently required. Material levels of additional resources are required from the Government as well as fundamental system changes at a national level.
- 4.9. If the Council is successful in its disapplication to the Secretary of State to transfer 0.5% of the DSG Schools Block to the High Needs Block, this would have a one-off impact of approx £2.4m in 2024/25. The Council understands the reasons that Schools Forum voted against the transfer but given the levels of demand and pressures within the High Needs Block, we are in a position where a disapplication was necessary. Alongside the necessary planned growth in resourced provision, the DBV planned mitigations mean it is as imperative as ever for the County's schools, academies, and the Council need to work together to ensure inclusivity for SEND pupils.

Early Years Block (£1.138m underspend)

- 4.10. The Early Years Block is forecasting an underspend of £1.138m net position. The underspend is caused by the funding being based on census data at single points in time while payments are made to all providers based on actual usage throughout the year. The underspend equates to circa 2.9% of DSG grant received. Currently WCC is earmarking 96% of the funding received for providers.
- 4.11. There is a forecast underspend of £1.082m on 2- to 4-year-old provision.
- 4.12. There are minor underspends of £0.106m on EY Sufficiency & Business support and SEND Early Years due to staff vacancies across the services.
- 4.13. Schools Forum is asked to note that the Early Years forecast variance will change to reflect the updated allocation following the release of the January 2024 census data. (We are anticipating the release of the January 2024 Census data and updated allocation in February 2024.)

- 4.14. The DfE will subsequently, after the 2023/24 yearend (July 2024) re-adjust the EYB funding to take into account census data before the yearend.

Central Schools Services Block- CSSB (£0.117 overspend)

- 4.15. The Central School Services Block is currently forecasting a planned £0.117m variance to Budget. This is due to reduced funding in 2023-24 which was planned to be appropriated to reserves.

Impact of DSG overspend.

- 4.16. This overall size of the High Needs DSG overspend has increased significantly and is significantly above the MTFS expected overspend of £4.855m (i.e., the amount allocated to the DSG offset reserve in the MTFS for 2023/24) and will impact on the overall recovery plan and the contributions from the MTFS to cover the cumulative deficit.
- 4.17. At present the forecasted cumulative deficit for the HNB following 2023/24 outturn is £37.930m. The DSG offset reserve currently totals £26.5050m. The existing MTFS 2023-2028 (due to recalibrated for 2024-29 in February 2024) provides for a 2024/25 contribution to the DSG offset reserve of £5.992m, and this reduces to £2.394m in 2025/26 and then £1.394m each year from 2026/27. The current upward trajectory of the High Needs overspend is not in alignment with these planned contributions, and the December Cabinet paper recommends that no further contributions are made to the offset reserve beyond 2024/25.

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Appendix A

Note that there may be rounding differences between the figures presented in this Appendix compared to the Tables in the body of the report.

| Schools Block | Latest Budget | Latest Forecast @ | Forecast Variance |
|---|----------------|-------------------|-------------------|
| | £m | £m | £m |
| Mainstream Individual School Budgets | 137.153 | 137.153 | 0.000 |
| Growth Fund (exceptional pupil numbers) | 3.471 | 3.465 | (0.006) |
| Schools Block Transfer to High Needs Block | 0.000 | 0.000 | 0.000 |
| De-delegated budgets | | | |
| School Performance | 0.189 | 0.138 | (0.051) |
| STS SEND Support | 0.030 | 0.020 | (0.010) |
| Ethnic Minority & Traveller Achievement Service | 0.235 | 0.253 | 0.018 |
| Free School Meals | 0.019 | 0.013 | (0.006) |
| Teaching Union Cover | 0.064 | 0.025 | (0.039) |
| Non-Teaching Union Cover | 0.016 | 0.016 | 0.000 |
| HR – Occupational Health (Primary Only) | 0.013 | 0.013 | 0.000 |
| Central Establishment Charges | 0.039 | 0.039 | 0.000 |
| Education Functions - DBS | 0.163 | 0.138 | (0.025) |
| Total Schools Allocations | 141.392 | 141.272 | (0.119) |

| High Needs Block | Latest Budget | Latest Forecast @ | Forecast Variance |
|--|---------------|-------------------|-------------------|
| | £m | £m | £m |
| SEN – Place Funding for Maintained Mainstream, Special and Resourced Provision | 6.138 | 5.994 | (0.144) |
| SEN Top up – Mainstream Schools & Academies | 13.355 | 16.730 | 3.375 |
| SEN Top up – WCC Special Schools & Academies | 20.812 | 23.080 | 2.268 |
| SEN Top up – Independent & OLA Special Schools | 16.167 | 25.537 | 9.370 |
| Tier 4 Hospital Education | 0.400 | 0.308 | (0.092) |
| Resourced Provision – SEN Support | 1.411 | 2.599 | 1.188 |
| SEND Speech & Language | 0.000 | 0.000 | 0.000 |
| Post 16 Funding | 9.400 | 10.693 | 1.293 |
| SEND Commissions | 1.450 | 1.482 | 0.032 |
| SEND Integrated Services (Low incidence SEND) | 1.094 | 1.122 | 0.028 |
| SEND Integrated Services (Flexible Learning) | 0.883 | 0.753 | (0.129) |
| Area Behaviour Partnerships (Primary and Secondary Exclusions) | 2.911 | 3.079 | 0.168 |
| Contribution to Early Intervention Behaviour Panels | 0.064 | 0.064 | 0.000 |
| SENDAR Alternative Provision | 0.904 | 0.986 | 0.082 |
| SEND Integrated Services (Specialist Teaching Service) | 1.055 | 0.991 | (0.064) |
| Integrated Disability Service SEN Inclusion Grant (EY) | 0.485 | 0.485 | 0.000 |
| High Needs Contingency/ (Shortfall) | (0.140) | 0.000 | 0.140 |
| Central Establishment Charges | 1.428 | 1.428 | 0.000 |
| High Needs Allocations | 77.817 | 95.330 | 17.514 |

| Early Years Block | Latest Budget | Latest Forecast @ | Forecast Variance |
|--|---------------|-------------------|-------------------|
| | £m | £m | £m |
| Nursery Funding 3- & 4-year-olds | 22.169 | 23.256 | 1.087 |
| Nursery Funding 3- & 4-year Olds (Additional 15 hours) | 10.515 | 10.773 | 0.258 |
| Maintained Nursery Supplement | 0.857 | 0.000 | (0.857) |
| DSG Pupil Premium | 0.252 | 0.661 | 0.409 |
| Funded 2-year-olds | 2.965 | 3.229 | 0.264 |
| Disability Access Fund | 0.200 | 0.155 | (0.045) |
| IDS TL Early Years | 0.967 | 0.881 | (0.086) |
| Early Years - Sufficiency & Business Support | 0.282 | 0.268 | (0.014) |
| Early Years Quality & Development | 0.097 | 0.090 | (0.006) |
| Early Years Contingency/ (Shortfall) | 0.000 | 0.390 | 0.390 |
| EYB Central Establishment Charges | 0.314 | 0.314 | 0.000 |
| Early Years Supplementary Grant | 0.000 | (2.538) | (2.538) |
| Early Years Allocations | 38.617 | 37.479 | (1.138) |

| Central Schools Services Block | Latest Budget | Latest Forecast @ | Forecast Variance |
|--|----------------|-------------------|-------------------|
| | £m | £m | £m |
| Admissions | 0.799 | 0.799 | (0.000) |
| DSG SF Allocation - Historic Pension Contribution | 0.737 | 0.737 | 0.000 |
| DSG SF Allocation - North Leamington School Prudential Borrowing | 0.266 | 0.266 | 0.000 |
| DSG SF Allocation - Copyright Licences | 0.527 | 0.527 | 0.000 |
| Employers Liability Insurance | 0.045 | 0.045 | 0.000 |
| Teachers Pensions Employer Contribution Grant (TPECG) | 0.424 | 0.424 | 0.000 |
| CSSB Contingency | (0.086) | 0.031 | 0.117 |
| Planning for the education service as a whole (Sch 2, 15b) | 0.663 | 0.663 | 0.000 |
| CSSB Central Establishment Charges | 0.727 | 0.727 | 0.000 |
| Central Schools Services Allocations | 4.102 | 4.219 | 0.117 |
| 2021/22 DSG Total | 261.927 | 278.300 | 16.373 |