

Schools Forum

21 March 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 10.
- Note the forecasted outturn position of the DSG reserve for 2023/24, as at Period 10.

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>Less: NNDR</i>	(3.719)	0.000	(3.719)	
<i>Less: recoupment</i>		(280.527)	(280.527)	<i>Academy recoupment</i>
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 January 2024 (Period 10), and Appendix A provides a detailed breakdown:

Table 2: 2023/24 Forecasts	Latest Allocation	Forecast @	Variance
	£m	£m	£m
Schools Block	141.391	141.277	(0.114)
High Needs Block	77.817	98.629	20.812
Early Years Block	38.617	37.252	(1.365)
Central School Services Block	4.102	4.220	0.118
Total DSG Allocation	261.927	281.377	19.450

- 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 £19.450m equates to a 3.48% 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 £20.812m 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	19.450	(35.547)

- 3.2. As part of Warwickshire’s financial resilience, the authority holds a DSG offset reserve which currently totals £26.5050m, this will be increased at the year end to match the forecasted outturn position. In addition to this the Council will continue with the approach adopted in recent years and will set aside £18m of one-off funding to match the forecast high needs block deficit for 2024/25 as set out in the DBV mitigated recovery plan. However, as noted in the December MTFs report to Cabinet, it is not affordable for the Authority to make provision for the deficit beyond 2024/25. The financial assumption is that the Authority will take advantage of the statutory override

from April 2025 onwards and will commit to implementing the options made available to make good the accumulated deficit when the statutory override is lifted.

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 (£0.114m underspend)

- 4.1. The underspends on the Schools Block mainly relate to the cumulative effect of relatively small underspends due to decreased demand on union reps, DBS checks, decreases in direct spending on support to school leaders around school improvement activities and general tightening on the forecast to reflect spend to date.

High Needs Block (£20.812m overspend)

- 4.2. The main material forecasted variances are within the High Needs Block (HNB), with an overall forecasted overspend of £20.812m, this is an increase of £3.260m since the P8 forecast last reported. Forecasted variances include £4.663m in Mainstream school EHCP top ups, a £3.118m overspend in Special school EHCP top ups, a £10.160m overspend on Independent School places, £1.250m overspend on Specialist Resource Provision and a £2.070m overspend forecasted on Post 16 provision. This is being offset by combined underspends of £0.520m on Alternative Provision (AP), the Specialist Teaching Service and Flexible Learning.
- 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 as well as Specialist Resource Provision. 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			Service	Forecast P10			Change since 2022/23		
Actual	FTE	Raw Average Unit Cost		Units forecast £	FTE	Raw Average Unit Cost £	Forecasted £ v 22/23	Forecasted FTE v 22/23	Forecasted Unit Cost v 22/23
10,336,964	1,899	5,443	Mainstream schools Tops ups	17,402,500	1,698	10,252	7,065,536	-202	4,809
16,847,265	1,508	11,169	Special School Top ups	23,780,547	1,645	14,453	6,933,282	137	3,284
15,022,209	277	54,199	ISP	25,531,430	392	65,214	10,509,221	114	11,015
1,074,183	116	9,300	Resource Provision	2,096,734	181	11,597	1,022,551	65	2,297
7,241,521	548	13,227	Post 16	11,467,526	636	18,033	4,226,006	88	4,806

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

Service	Ratio of reason for expenditure rise	
	Unit Cost	Places (full year)
Mainstream	116%	-16%
Spec Schs	78%	22%
ISP	41%	59%
Res Prov	41%	59%
Post 16	72%	28%
Overall	72%	28%

Addressing the financial pressures in the HNB

- 4.5. DfE Delivering Better Value scheme. The Council is part of tranche 3 of the DfE Delivering Better Value scheme which has carried out a diagnostic exercise on current spend and leading to case reviews in specific areas. The Council has been awarded specific funding to move forward projects to address the High Needs challenge.
- 4.6. 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).
- 4.7. As seen in the financial tables above, the rising increases in need 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.

Early Years Block (£1.365m underspend)

- 4.8. The Early Years Block is forecasting an underspend of £1.365m 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 3.3% of DSG grant and supplementary grant received this year. Currently WCC is earmarking 96% of the funding received for providers.
- 4.9. There is a forecast underspend of £1.635m on 2- to 4-year-old provision (This includes the additional income received from the Early Years Supplementary Grant).
- 4.10. There are minor underspends of £0.120m on EY Sufficiency & Business support and SEND Early Years due to staff vacancies across the services.

- 4.11. 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.
- 4.12. 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)

- 4.13. 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. There is no on-going effect.

Impact of DSG overspend.

- 4.14. 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 initially allocated to the DSG offset reserve in the MTFS for 2023/24) and has impacted the overall recovery plan and the contributions from the MTFS to cover the cumulative deficit as mentioned in paragraph 3.2 above.

Stephanie Phillips

Senior Accountant (Team Manager) – Education and Schools Funding

Email: stephaniephillips@warwickshire.gov.uk

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	3.471	0.000
Schools Block Transfer to High Needs Block	0.000	0.000	0.000
De-delegated budgets			
School Performance	0.189	0.165	(0.024)
Early Intervention Service	0.030	0.020	(0.010)
Ethnic Minority & Traveller Achievement Service	0.235	0.214	(0.021)
Free School Meals	0.019	0.013	(0.006)
Teaching Union Cover	0.064	0.036	(0.028)
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	141.277	(0.115)

High Needs Block	Latest Budget	Latest Forecast @	Forecast Variance
	£m	£m	£m
SEN – Place Funding for Maintained Mainstream, Special and Resourced Provision	5.994	5.994	0.000
SEN Top up – Mainstream Schools & Academies	13.355	18.018	4.663
SEN Top up – WCC Special Schools & Academies	20.812	23.930	3.118
SEN Top up – Independent & OLA Special Schools	16.167	26.326	10.160
Tier 4 Hospital Education	0.400	0.308	(0.092)
Resourced Provision – SEN Support	1.411	2.661	1.250
Post 16 Funding	9.400	11.470	2.070
SEND Commissions	1.450	1.500	0.050
SEND Integrated Services (Low incidence SEND)	1.094	1.121	0.027
SEND Integrated Services (Flexible Learning)	0.883	0.842	(0.041)
Area Behaviour Partnerships (Primary and Secondary Exclusions)	2.911	2.600	(0.311)
Contribution to Early Intervention Behaviour Panels	0.064	0.064	0.000
SENDAR Alternative Provision	0.904	0.813	(0.091)
SEND Integrated Services (Specialist Teaching Service)	1.055	0.998	(0.057)
Integrated Disability Service and SEN Inclusion Grant (EY)	0.485	0.556	0.071
High Needs Contingency/ (Shortfall)	0.005	0.000	(0.005)
Central Establishment Charges	1.428	1.428	0.000
High Needs Allocations	77.817	98.629	20.812

Early Years Block	Latest Budget	Latest Forecast @	Forecast Variance
	£m	£m	£m
Nursery Funding 3- & 4-year-olds	22.169	22.112	(0.057)
Nursery Funding 3- & 4-year Olds (Additional 15 hours)	10.515	10.668	0.153
Maintained Nursery Supplement	0.857	0.857	0.000
DSG Pupil Premium	0.252	0.269	0.017
Funded 2-year-olds	2.965	3.826	0.861
Disability Access Fund	0.200	0.128	(0.071)
IDS TL Early Years	0.967	0.859	(0.108)
Early Years - Sufficiency & Business Support	0.282	0.270	(0.012)
Early Years Quality & Development	0.097	0.096	(0.000)
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	37.252	(1.365)

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	4.220	0.118
2021/22 DSG Total	261.927	281.377	19.450