

## Schools Forum

20<sup>th</sup> June 2024

### 2023/24 Dedicated School Grant Outturn Position

This report relates to all members of the Schools Forum and is for information.

#### Recommendation(s)

The Schools Forum is recommended to:

- Note the DSG financial outturn position for 2023/24.

#### 1. Introduction

1.1. This report sets out the final outturn position of the Dedicated Schools Grant (DSG) for 2023/24.

#### 2. 2023/24 Final Outturn Position

2.1. The total DSG allocation for Warwickshire, as last reported to Schools Forum in **March 2024**, was £559.181m, with total recoupment of £297.253m, resulting in a net allocation across Blocks after recoupment of £261.927m. However, these allocations were updated for academy recoupment for the final outturn giving the final allocation shown in table 1 below.

Table 1: 2023/24 Revised DSG Allocations	Original Allocation	Change	Final Allocation	Reason for Change
	£m	£m	£m	
Total Schools Block	425.638	0.000	425.638	
Less: NNDR	(3.719)	0.000	(3.719)	
Less: recoupment		(284.025)	(284.025)	Academy recoupment
Schools Block	421.919	(284.025)	137.893	
Total High Needs	94.682	(0.152)	94.531	updates for Import/Exports and Special Free Schools
Less: recoupment	(15.840)	(0.886)	(16.726)	High Needs recoupment
High Needs Block	78.842	(1.037)	77.805	
Early Years Block	37.924	0.692	38.617	
Central School Services Block	4.102	0.000	4.102	
<b>Total DSG Allocation</b>	<b>542.787</b>	<b>-284.370</b>	<b>258.417</b>	

- 2.2. The final DSG outturn position for 2023/24 is an overspend of **£17.118m**. This is a decrease of £2.332m to the forecast reported at P10, as reported to Schools Forum in March 2023. This is primarily due to delays in the use of growth funding required this year (increasing the Schools Block underspend since the P10 forecast) and reductions to the predictions for Post 16 spend (reducing the High Needs Block overspend since the P10 forecast)
- 2.3. Table 2 summarises the outturn by DSG Block, with the narrative in this report providing further analysis and Appendix A providing a detailed breakdown:

Table 2: 2023/24 Outturn	Latest Allocation	Outturn	Outturn Variance	Forecast Variance @ P10
	£m	£m	£m	£m
Schools Block	137.893	137.099	(0.795)	(0.114)
High Needs Block	77.805	96.877	19.072	20.812
Early Years Block	38.617	37.340	(1.277)	(1.365)
Central School Services Block	4.102	4.219	0.117	0.118
<b>Total DSG Allocation</b>	<b>258.417</b>	<b>275.535</b>	<b>17.118</b>	<b>19.450</b>

- 2.4. 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 outturn position of £17.118m equates to a 3.06% overspend of the total original DSG allocation (see table 1), 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. In addition, this is also a requirement of the Developing Best Value (DBV) Programme (see other report on this School Forum Agenda).
- 2.5. Although the Total DSG overspend position is £17.118m, in reality we are not able to move funding between blocks in year without School Forum approval, so the key financial risk to be highlighted in Table 2 is the £19.072m overspend in the High Needs Block. The pressures on the High Needs Block are not unique to Warwickshire and is a national issue. At Warwickshire, the financial position is being closely monitored as part of the DSG recovery plan and as part of the DBV Programme.

### 3. 2023/24 Reserves

Table 3: 2023/24 Reserves £m	Opening Balance 01/04/2023	In Year Drawdowns	Effect of outturn	Closing Balance as at 31/03/2024
Total DSG Reserve	(16.097)	(0.000)	(17.118)	(33.215)

- 3.1. The overall negative reserve balance is driven by the cumulative overspends of the High Needs block.
- 3.2. As part of Warwickshire's financial resilience, the authority holds a DSG offset reserve which currently totals £26.505m, this has been increased at the year end to match the cumulative outturn position of the HNB. 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 by central government 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 (£0.795m underspend)**

- 4.1. The underspends on the Schools Block mainly relate to the delays in the funding required for growth funding this year and the cumulative effect of relatively small underspends due to decreased demand on union reps, DBS checks and decreases in direct spending on support to school leaders around school improvement activities.

##### **High Needs Block (£19.072m overspend)**

- 4.2. The main material outturn variances are within the High Needs Block (HNB), with an overspend of £19.072m, this is a decrease of £1.740m since the P10 forecast last reported. Outturn overspend variances include: -
  - £4.888m in Mainstream school EHCP top ups. This overspend is due to a 53% higher than budgeted unit cost which is being partly offset by a lower volume of pupils.
  - a £2.737m overspend in Special school EHCP top ups. This is due to an increase in volume and unit cost.
  - a £9.628m overspend on Independent School places, due to an increase in volume and unit cost.
  - £1.381m overspend on Specialist Resource Provision. A greater number of SRPs have been opened than was originally envisaged. These new places will consume 'ghost' funding to make them viable along with place funding during the years of the establishment.

- £0.619m overspend forecasted on Post 16 provision, this is due to increase of £0.321m for volume and £0.298m for unit cost.
- £0.808m on Alternative Provision. This is being offset by combined underspends of £0.707m across the rest of the service.

4.3. This large 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 expenditure, FTE and Unit cost between outturn for 2022/23 and the final position of 2023/24, it also shows the budgeted position for 2023/24.

2022/23			Service	2023/24			Change since 2022/23				
Actual £	Places (Full time equivalent)	Raw Average Unit cost		Budgeted Places (FTE)	Budgeted Raw Average Unit cost	Actual £	Places (FTE)	Raw Average Unit cost	Expenditure £ v 2022/23	Places FTE v 2022/23	Unit Cost v 2022/23
10,336,954	1,899	5,443	Mainstream School Top ups	1,627	8,384	18,243,677	1,397	12,804	7,906,723	- 502	7,361
16,847,265	1,508	11,169	Special School Top ups	1,625	12,800	23,549,089	1,652	14,059	6,701,824	144	2,890
15,022,209	277	54,199	ISP	355	61,700	25,794,520	390	65,403	10,772,311	113	11,204
1,074,183	116	9,300	Resource Provision	189	9,145	2,791,724	180	11,832	1,717,541	64	2,532
7,241,521	548	13,227	Post 16	637	14,637	10,019,646	633	15,851	2,778,125	85	2,624

4.5. 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	136%	-36%
Spec Schs	75%	25%
ISP	42%	58%
Res Prov	43%	57%
Post 16	59%	41%
<b>Overall</b>	<b>76%</b>	<b>24%</b>

## Addressing the financial pressures in the HNB

4.6. The Council is part of tranche 3 of the DfE Delivering Better Value scheme which has carried out a comprehensive data and case study 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 (referred to as "mitigation") the High Needs challenge.

The details of the mitigation plans are included in the “Delivering Better Value” paper elsewhere in today’s agenda.

- 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 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 (£1.277m underspend)**

- 4.9. The Early Years Block is forecasting an underspend of £1.277m 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.
- 4.10. There is an underspend of £1.560m on 2- to 4-year-old provision (This includes the additional income received from the Early Years Supplementary Grant).
- 4.11. We had a planned overspend this year of £0.390m for the remainder of the EY (post covid) grant payments scheme.
- 4.12. There are minor underspends of £0.108m on over the rest of the service that was primarily due to staff vacancies.
- 4.13. The overall underspend was in part a result of the Early Years Supplementary Grant which provided £1.927m in additional income. This block of the DSG is subject to a revised post year end funding adjustment by the ESFA in the next financial year once the spring census data has been confirmed. The underspend will cover this adjustment.

### **Central Schools Services Block- CSSB (£0.117 overspend)**

- 4.14. The Central School Services Block outturn was the planned £0.117m variance to Budget. This was due to reduced funding in 2023-24 which was planned to be appropriated to reserves. There is no on-going effect since savings have been made for 2024-25 onwards.

### **Impact of DSG overspend.**

4.15. The 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). This has impacted the overall recovery plan and has dramatically increased the contribution from Non DSG Council Funds to cover the cumulative deficit. The Council has taken the view that this cannot continue beyond 2024/25 as mentioned in paragraph 3.2 above.

### **Stephanie Phillips**

Senior Accountant (Team Manager) – Education and Schools Funding

Email: [stephaniephillips@warwickshire.gov.uk](mailto: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	Outturn	Outturn Variance	Forecast Variance @ P10	Variance to P10
	£m	£m	£m	£m	£m
Mainstream Individual School Budgets	133.655	133.655	0.000	0.000	0.000
Growth Fund (exceptional pupil numbers)	3.471	2.864	(0.607)	0.000	(0.607)
Schools Block Transfer to High Needs Block	0.000	0.000	0.000	0.000	0.000
<b>De-delegated budgets</b>					
School Performance	0.189	0.198	0.009	(0.024)	0.033
Early Intervention Service	0.030	0.003	(0.027)	(0.010)	(0.017)
Ethnic Minority & Traveller Achievement Service	0.235	0.139	(0.096)	(0.021)	(0.074)
Free School Meals	0.019	0.023	0.004	(0.006)	0.010
Teaching Union Cover	0.064	0.019	(0.046)	(0.028)	(0.017)
Non-Teaching Union Cover	0.016	0.016	0.000	0.000	0.000
HR – Occupational Health (Primary Only)	0.013	0.013	0.000	0.000	0.000
Central Establishment Charges	0.039	0.039	0.000	0.000	0.000
Education Functions - DBS	0.163	0.130	(0.033)	(0.025)	(0.008)
<b>Total Schools Allocations</b>	<b>137.894</b>	<b>137.099</b>	<b>(0.795)</b>	<b>(0.115)</b>	<b>(0.680)</b>

High Needs Block	Latest Budget	Outturn	Outturn Variance	Forecast Variance @ P10	Variance to P10
	£m	£m	£m	£m	£m
SEN – Place Funding for Maintained Mainstream, Special and Resourced Provision	5.982	5.943	(0.039)	0.000	(0.039)
SEN Top up – Mainstream Schools & Academies	13.355	18.244	4.888	4.663	0.225
SEN Top up – WCC Special Schools & Academies	20.812	23.549	2.737	3.118	(0.381)
SEN Top up – Independent & OLA Special Schools	16.167	25.795	9.628	10.160	(0.532)
Tier 4 Hospital Education	0.400	0.117	(0.283)	(0.092)	(0.191)
Resourced Provision – SEN Support	1.411	2.792	1.381	1.250	0.131
Post 16 Funding	9.400	10.020	0.619	2.070	(1.451)
SEND Commissions	1.450	1.485	0.035	0.050	(0.015)
SEND Integrated Services (Low incidence SEND)	1.094	1.113	0.019	0.027	(0.008)
SEND Integrated Services (Flexible Learning)	0.883	0.876	(0.006)	(0.041)	0.035
Area Behaviour Partnerships (Primary and Secondary Exclusions)	2.911	2.247	(0.664)	(0.311)	(0.353)
Contribution to Early Intervention Behaviour Panels	0.064	0.064	0.000	0.000	0.000
SENDAR Alternative Provision	0.904	1.712	0.808	(0.091)	0.899
SEND Integrated Services (Specialist Teaching Service)	1.055	1.004	(0.051)	(0.057)	0.005
Integrated Disability Service SEN Inclusion Grant (EY)	0.485	0.489	0.004	0.071	(0.067)
High Needs Contingency/ (Shortfall)	0.005	0.000	(0.005)	(0.005)	(0.000)
Central Establishment Charges	1.428	1.428	0.000	0.000	0.000
<b>High Needs Allocations</b>	<b>77.805</b>	<b>96.877</b>	<b>19.072</b>	<b>20.812</b>	<b>(1.740)</b>



Early Years Block	Latest Budget	Outturn	Outturn Variance	Forecast Variance @ P10	Variance to P10
	£m	£m	£m	£m	£m
Nursery Funding 3&4 year olds	22.169	22.417	0.248	(0.057)	0.305
Nursery Funding 3&4 year Olds (Additional 15 hours)	10.515	10.669	0.155	0.153	0.001
Maintained Nursery Supplement	0.857	0.857	0.000	0.000	0.000
DSG Pupil Premium	0.252	0.254	0.003	0.017	(0.015)
Funded 2 year olds	2.965	3.929	0.964	0.861	0.103
Disability Access Fund	0.200	0.209	0.009	(0.071)	0.081
IDS TL Early Years	0.967	0.858	(0.109)	(0.108)	(0.001)
Early Years - Sufficiency & Business Support	0.282	0.272	(0.010)	(0.012)	0.002
Early Years Quality & Development	0.097	0.097	(0.000)	(0.000)	0.000
Early Years Contingency/ (Shortfall)	0.000	0.390	0.390	0.390	0.001
EYB Central Establishment Charges	0.314	0.314	0.000	0.000	0.000
Early Years Supplementary Grant	0.000	(2.927)	(2.927)	(2.538)	(0.389)
<b>Early Years Allocations</b>	<b>38.617</b>	<b>37.340</b>	<b>(1.277)</b>	<b>(1.365)</b>	<b>0.088</b>

Central Schools Services Block	Latest Budget	Outturn	Outturn Variance	Forecast Variance @ P10	Variance to P10
	£m	£m	£m	£m	£m
Admissions	0.799	0.799	0.000	0.000	(0.000)
DSG SF Allocation - Historic Pension Contribution	0.737	0.737	(0.000)	0.000	(0.000)
DSG SF Allocation - North Leamington School Prudential Borrowing	0.266	0.266	0.000	0.000	0.000
DSG SF Allocation - Copyright Licences	0.527	0.527	0.000	0.000	0.000
Employers Liability Insurance	0.045	0.045	0.000	0.000	0.000
Teachers Pensions Employer Contribution Grant (TPECG)	0.424	0.424	0.000	0.000	0.000
CSSB Contingency	(0.086)	0.031	0.117	0.117	0.000
Planning for the education service as a whole (Sch 2, 15b)	0.663	0.663	0.000	0.000	0.000
CSSB Central Establishment Charges	0.727	0.727	0.000	0.000	0.000
<b>Central Schools Services Allocations</b>	<b>4.102</b>	<b>4.219</b>	<b>0.117</b>	<b>0.118</b>	<b>(0.000)</b>
<b>2023/24 DSG Total</b>	<b>258.417</b>	<b>275.535</b>	<b>17.118</b>	<b>19.450</b>	<b>(2.332)</b>