

# **Durham County Council Schools Forum Meeting, 10 July 2024, Item No 5, Dedicated Schools Grant (DSG) Outturn 2023-24**

## **Report of Rob Davisworth, Head of Corporate Finance and Commercial Services**

### **Purpose of the Report**

- 1 This report outlines the outturn position for the Dedicated Schools Grant (DSG) for the last financial year.

### **Executive summary**

- 2 The DSG Deficit Adjustment Account as at 31 March 2024 is showing a deficit position of £8.687 million. This includes a deficit of £10.595 million relating to the High Needs Block.
- 3 Funding of £0.582 million was provided to 23 maintained schools in 2023/24 via a DfE grant to support schools in financial difficulty.

### **Voting**

- 4 All members are entitled to vote on the recommendation in this report.

### **Recommendation(s)**

- 5 Members are recommended to note the contents of this report.

### **Background**

- 6 The DSG is the main source of government funding for the provision of education by local authorities and institutions in England. Its use is governed by the conditions of grant, one of which requires the grant to be spent in accordance with the School and Early Years Finance Regulations. The DSG cannot be used for other purposes.
- 7 The DSG is divided into four blocks – the schools block, the high needs block, the early years block and the central school services block. Each of the four blocks of the DSG are determined by a separate national funding formula.

- 8 In consultation with their schools forum, local authorities make decisions about the delegation of funds to schools, which for primary and secondary schools is on the basis of a local formula, and on the spending of funds held centrally, most of which is used for making high needs provision.

### **Dedicated Schools Grant Centrally Retained Blocks**

- 9 The outturn position for the centrally retained DSG budgets shows an overspend of £1.196 million against a total budget of £127.287 million, which represents a 1% overspend. A summary is provided in the table below:

<b>DSG Block</b>	<b>Budget £ million</b>	<b>Outturn £ million</b>	<b>Over / (Under) Spend £ million</b>
High Needs	89.917	91.877	1.960
Early Years	34.271	33.837	-0.434
Central Schools Services	2.898	2.347	-0.551
De-delegated	0.201	0.422	0.221
<b>TOTAL</b>	<b>127.287</b>	<b>128.483</b>	<b>1.196</b>

- 10 Further details of the outturn position against budget for the High Needs Block (HNB) is shown at Appendix A. The overspend of £1.960 million relates to the following main areas:
- (a) Mainstream Top up funding – the cumulative budget for top up funding for pupils aged 0-16 in mainstream settings was £16.739 million and there was an overspend of £2.396 million against this budget. A sum of £0.903 million of the overspend resulted from the increase to mainstream top up funding rates effective from September 2024, but the major part is due an increase in the number of full-time equivalent (FTE) pupils in mainstream settings receiving top up funding support which exceeded the level that was anticipated when the budget was set. The number of FTE pupils requiring top up funding increased by 489 (27%) from 1,772 in 2022/23 to 2,261 in 2023/24.
  - (b) The other main areas of pressure are in Independent and Non-Maintained Special School (INMSS) provision, where expenditure of £9.126 million exceeded budget of £7.214 million by £1.912 million.

- (c) A sum of £1 million was allocated at the start of the year as a planned underspend in 2023/24 with the intention of reducing the cumulative HNB deficit position. This has not been possible due to significant overspends in other areas, however the underspend of £1 million against this budget heading partially offsets the overspends above.
  - (d) The other major underspend is against the Investment Support Fund where there is an underspend of £0.903 million against a budget of £0.986 million. This underspend offsets increased costs in mainstream top up funding resulting from the decision taken to increase rates with effect from September 2024.
- 11 The impact of the overspend of £1.960 million in 2023/24 is to increase the cumulative HNB deficit from £8.635 million to £10.595 million at 31 March 2024.
  - 12 An updated HNB Sustainability Plan was reported to Cabinet in December 2023. The report set out the implications of lower increases to HNB grant over the period 2024/25 to 2027/28 than received in recent years, set against continuing increases in cost and demand and resulting in a forecast increasing cumulative deficit position that could reach £67 million by the end of 2027/28.
  - 13 The forecast in-year deficit for 2024/25 reported to Cabinet in December 2023 was £7.8 million. Following a review and taking action to reduce spending the forecast deficit has been reduced by £1.3 million to £6.5 million.
  - 14 The significant and increasing HNB deficit position is a serious concern for the Council and many other local authorities. The exceptional accounting override that allows councils to exclude HNB deficits from their main council general revenue funding position and hold this cumulative deficit in an unusable reserve on the Balance Sheet, is due to end on 31 March 2026.
  - 15 After this point, the HNB deficit may need to be funded by council resources from 2026/27.
  - 16 Phase one of the HNB Sustainability Programme came to an end in the summer of 2023, which focussed on nine key areas as agreed by Cabinet in 2019.

- 17 Phase two of our HNB Sustainability Programme commenced in September 2023, with a major element being implementation of the DfE supported Delivering Better Value in SEND work along with further work on Social, Emotional Mental Health and Early Years Funding.
- 18 The Early Years Block expenditure of £34.196 million was £0.434 million lower than the grant allocation, however we await the final grant adjustment in July 2024 (based on January 2023 pupil numbers), which is likely to result in a clawback of funding.
- 19 Local authorities DSG Early Years National Funding Formula is calculated on the basis of the number of hours children are taking up during census week in the January prior to the beginning of the financial year (in this instance January 2023), creating an assumption of uptake.
- 20 This is followed by an adjustment in the following July (in this case July 2024) should there be any movement in the number of places reported in the next annual census (January 2024 census). This is to cover any additional expenditure where the number of eligible children increase beyond the original census allocation, or conversely a reduction due to the closure of settings or changes to the demographics.
- 21 Any variations are picked up by DfE in the proceeding census and may result in an adjustment in the form of clawback of unused funding or additional payments for new childcare places and this needs to be considered when reviewing the outturn position on the EYB.
- 22 The underspend of £0.551 million on the Central School Services Block (CSSB) largely reflects the timing of a payment of £0.582 million in relation to copyright licenses from the Central School Services Block.

23 The impact of the outturn for 2023-24 on the DSG reserves position is shown in the following table:

<b>DSG Reserves</b>	<b>High Needs Block £ million</b>	<b>Early Years Block £ million</b>	<b>Central / Schools Block £ million</b>	<b>Total DSG £ million</b>
<b>Balance as at 1 April 2023</b>	<b>-8.635</b>	<b>0.722</b>	<b>0.781</b>	<b>-7.132</b>
Early Years adjustment 2023/24	0	-0.359	0	-0.359
<b>Use [-] / Contribution [+] in 2023/24</b>	<b>-1.960</b>	<b>0.434</b>	<b>0.330</b>	<b>-1.196</b>
<b>Balance as at 31 March 2024</b>	<b>-10.595</b>	<b>0.797</b>	<b>1.111</b>	<b>-8.687</b>

24 The overall DSG reserve was in deficit of £7.132 million at the start of the financial year as a result of the accumulated deficit position in relation to the high needs block. The overall deficit position is now £8.687 million to the year end, however this is prior to any clawback of EY funding.

25 The in-year increase in the Schools Block Reserve largely reflects the timing of a payment of £0.582 million in relation to copyright licenses from the Central School Services Block, offset by a planned use of the de-delegated reserves of £0.221 million.

26 Of the balance of £1.111 million on the Central / Schools Block reserve, £47,000 relates to de-delegated funding.

27 The remainder is currently not committed and it is proposed to bring a report to a future meeting of Schools Forum to consider options for using this funding.

### **Additional funding for schools in financial difficulty**

28 In October 2023, the DfE announced additional funding to support individual schools that find themselves in financial difficulties. An overall sum of £20 million was allocated nationally and Durham's share was £0.582 million.

29 The grant was used in full in 2023/24 to support 23 schools in Durham to move to a more sustainable financial position and was a significant part of the reason that no schools require a licensed deficit in 2024/25.

30 Whilst this was positive news, because the grant allocation was a one-off there is a strong likelihood that some schools will require licensed deficits in 2025/26.

**Contact:** [SchoolsForum@durham.gov.uk](mailto:SchoolsForum@durham.gov.uk)

## Appendix A: High Needs Block Outturn 2023-24

<b>DSG High Needs Block</b>	<b>Budget £m</b>	<b>Outturn £m</b>	<b>Variance £m</b>
Special Schools	33.333	33.333	0
Top-up-Special (pupils)	3.006	3.100	0.094
Top-up-Special (banding)	0.311	0.313	0.002
Top-up-Special (contingency)	0.333	0.250	-0.083
<b>Sub-total Special School Provision</b>	<b>36.983</b>	<b>36.996</b>	<b>0.013</b>
INMSS-pre-16	4.985	6.959	1.974
INMSS-post-16	2.229	2.167	-0.062
FE provision-post-16	4.515	4.245	-0.270
Exports to other LA areas	1.059	1.135	0.076
Imports from other LA areas	-0.525	-0.762	-0.237
<b>Sub-total External provision</b>	<b>12.263</b>	<b>13.744</b>	<b>1.481</b>
EMP/ELP place funding	1.197	1.210	0.013
Nursery Outreach Team	0.695	0.678	-0.017
Top-up funding-Nursery	1.518	2.135	0.617
Top-up funding-Primary	12.357	13.789	1.432
Top-up funding-Secondary	2.864	3.211	0.347
Targeted Support Fund	0.429	0.424	-0.005
Communities of Learning	0.859	0.799	-0.060
<b>Sub-total Mainstream Provision</b>	<b>19.919</b>	<b>22.246</b>	<b>2.327</b>
Equalities and Intervention Team	0.727	0.683	-0.044
SEND Sensory Team	1.578	1.532	-0.046
Specialist Inclusion Support	0.673	0.673	0
Reduction of HNB deficit	1.000	0	-1.000
Management and LA recharges to DSG	1.282	1.181	-0.101
Equipment	0.079	0.114	0.035
Investment support fund	0.986	0.083	-0.903
<b>Sub-total Central provision</b>	<b>6.325</b>	<b>4.266</b>	<b>-2.059</b>
Secondary Behaviour Panels	1.410	1.383	-0.027
Primary Inclusion Partnership	0.223	0.223	0
Education Health Needs	2.481	2.481	0
Local Authority PRU	6.514	6.838	0.324
Income from schools (Permanent)	-0.408	-0.501	-0.093
Other AP provision	0.134	0.128	-0.006
<b>Sub-total Alternative Provision</b>	<b>10.354</b>	<b>10.552</b>	<b>0.198</b>
<b>Total</b>	<b>85.844</b>	<b>87.804</b>	<b>1.960</b>
<b>Grant available (after deductions)</b>	<b>-85.844</b>	<b>-85.844</b>	<b>0</b>
<b>HNB cumulative deficit</b>	<b>8.635</b>		<b>10.595</b>