North Northamptonshire Schools Forum: 18th January 2024

Agenda Item 4

DSG Update 2023-24 Period 8

List of appendices

Appendix A – DSG forecasts 2023/24

1. Purpose of the Report

1.1 The purpose of the report is to ensure that the Schools Forum is informed of the current financial position of the Dedicated Schools Grant (DSG) against the budget for 2023-24.

2. Background

2.1 The Dedicated Schools Grant (DSG) is a ring-fenced specific grant allocated to the Council by the Government to support a range of education related services.

2.2 The Department for Education (DfE) currently operate a four-block funding model for funding schools and pre-16 education including early years as set out in the following table:

Dedicated Schools Grant (DSG)			
Schools Block	**Central Schools Services Block**	**High Needs Block**	**Early Years Block**
The School's Block is the largest element of the DSG and is allocated to Schools and Academies for day-to-day spending in their individual budgets.	The Central Schools Block provides funding for local authorities to carry out central functions on behalf of maintained schools and academies.	The High Needs funding system supports provision for Children and Young People with Special Educational Needs and Disabilities (SEND) from their early years to age 25.	The Early Years Block provides funding for 2-, 3- and 4-year-olds.

3. DSG Funding Update

3.1 The original DSG Budget for 2023/24 amounts to £354.963m. After allowing for recoupment, which is where a local authority's DSG allocation is adjusted to reflect the grant that has been paid direct to academies. In July, the DSG allocation was revised to reflect a reduction of £537k, there was a reduction of £382k in the Early Years Block due to lower participation numbers, this was partially offset by a slight increase in the High Needs Block of £74k resulting from additional funding for special free schools. The remaining reduction of £229k relates to the recoupment amount for the High Needs Block being adjusted from £10.853m to £11.082m this is due to an adjustment to the High Needs places. The revised net DSG budget for the Council is £120.663m. The forecast outturn is a pressure of £9.019m, this is summarised in the following Table:

Dedicated Schools Grants Forecast Outturn 2023/24							
Block	Gross Budget £'000	July DSG Allocation Adjustment £'000	Revised Budget £'000	Recoupment £'000	Net Budget £'000	Forecast Net Spend £'000	Variance £'000
Schools Block	270,284	0	270,284	222,910	47,374	47,374	0
Central Schools Block	3,287	0	3,287	0	3,287	3,287	0
High Needs Block	57,851	74	57,925	11,082	46,843	55,862	9,019
Early Year Block	23,541	(382)	23,159	0	23,159	23,159	0
Total	**354,963**	**(308)**	**354,655**	**233,992**	**120,663**	**129,682**	**9,019**

4. DSG Update 2023/24 – Forecast Outturn

4.1 The national pressure on services to support the education of children with additional needs is well documented. This has been exacerbated by the ongoing impacts of COVID on children and young people's health and wellbeing. Many Councils are struggling to contain expenditure within the budget available to meet needs. The mitigation actions that are available often have front loaded costs and benefits are felt over the course of many years. Whilst funding has been increased, this has not reflected the full increase in needs that are being identified.

4.2 The Council's overall outturn forecast for the DSG as at Period 8, is a forecast pressure of £9.019m the Net Spend is forecast to be £127.547m against the approved budget of £120.663m. This is summarised in the table below and it is important to note that this is subject to continual review and this is summarised in the Table below and further details are set out in Appendix A.

Dedicated Schools Grants Forecast Outturn 2023/24							
Block	**Gross Budget £'000**	**July DSG Allocation Adjustment £'000**	**Revised Budget £'000**	**Recoupment £'000**	**Forecasted Net Budget £'000**	**Forecasted Net Spend £'000**	**Variance £'000**
Schools Block	270,284	0	270,284	222,910	47,374	47,374	0
Central Schools Block	3,287	0	3,287	0	3,287	3,287	0
High Needs Block	57,851	74	57,925	11,082	46,843	56,582	9,739
Early Year Block	23,541	(382)	23,159	0	23,159	23,159	0
Total	**354,963**	**(308)**	**354,655**	**233,992**	**120,663**	**130,402**	**9,739**
Early Years Adjustment 2022/23							**220**
DSG Reserves 2023/24							**(940)**
DSG Forecasted Overspend							**9,019**

4.3 In the financial year 2022/23 NNC reported an overspend of £1.743m on the HNB. This was offset against the historic surplus of £2.573m that had been brought forward from 2021/22, leaving a reserves balance of £940k, the reserve has been revised to reflect an Early Years clawback for 2022-23 financial year, amounting to £220k, leaving a opening balance of 720k. For 2023/24, pressures have continued to increase, and it is now forecast that the HNB overspend will be overspent by £9.739m. The remaining reserves of £720k have been used to partly mitigate this, leaving a forecast overspend of £9.019m. The composition of these pressures prior to the use of reserves is as follows:

- The ongoing increase in the number of requests for Education, Health and Care Plans (EHCP), at Early Years and statutory school age, has exceeded the rate that was used in setting the budget, this pressure is forecast to be around £1.976m.

- Sufficiency issues in local SEND placements meaning greater use of Independent Providers at significantly higher cost, this pressure is forecast to be around £2.905m.

- The identification of historic commitments that remain outstanding and must now be paid is a one-off pressure and amount to around £500k.

- Pressures in Mainstream Top Ups are related to an ongoing increase in the number of requests for statutory assessment over and above the level budgeted for. By supporting mainstream schools to meet higher levels of need, pressure is reduced on the specialist placement budgets, this pressure is forecasted to around £2.252m

- Further analysis has been conducted on the Alternative Provision budget, the pressure is forecasted to be around £2.180m. This reflects the impact of the limited access NNC has to high quality AP places locally. As a result, more pupils are having to be provided with individual tutoring to ensure they have the required access to education. This significantly increases costs and restricts the breadth of curriculum that can be offered. Efforts are ongoing to create additional AP in NNC, including a strategic partnership with an outstanding Academy Trust that was brokered by DfE, and a bid for a new AP school in NNC, the outcome of which is due in Autumn 2023.

- The High Needs budget saw an increase due to an adverse movement in the import-export review and an increase in funding allocated to Special schools the net favourable effect was a £74k increase.

4.4 Significant work has already been undertaken to put in place actions to mitigate pressures, these include:

- Collaborative work with two local special schools to create outreach service to support inclusion in mainstream settings and identify needs, and strategies to meet these, at the earliest opportunity.
- The creation of additional SEND places in Special Schools and Special School satellite provision on mainstream school sites.
- The creation of new SEND units in mainstream schools.
- Development of an early Years SEND provision.
- Partnership working with an outstanding Alternative Provision (AP) Academy Trust to create new capacity in NNC.
- Improved commissioning arrangements with independent providers to control costs and provide greater consistency of delivery.
- Joint commissioning work with health services to improve and widen provision of Speech and Language services.
- Greater focus on the Annual Review process to identify where needs have reduced or an EHCP is no longer required.
- Investment in the EHCP team to ensure needs are assessed in as accurate and timely manner as possible.
- Improved decision-making processes that ensure thresholds and funding decisions are robust and consistent.

4.5 Work is ongoing, and a key focus will be the identification of opportunities to create further capacity. NNC was not successful in a bid to DfE for a new Special Free School in the area, as such other routes to creating this capacity are being investigated. A separate bid for a Free AP provision is with DfE and an outcome is expected shortly.

4.6 Further opportunities to create SEND places are being developed in partnership with local Special and Mainstream schools. The impact of the outreach services is being assessed with a view to extending these and targeting resources as effectively as possible as part of a wider focus on inclusion. A simplification of EHCP funding through the adoption of a banded system will reduce pressure on the EHCP team and give schools and providers greater clarity and stability. The Education Case Management System will offer significantly improved financial functionality and rigour, improve parental access to information about the progress of an EHCP and create efficiencies in the EHCP process.

4.7 Where a local authority has an overall deficit on its DSG account at the end of the financial year, or where a surplus has substantially reduced during the year, they must provide information to the DFE about pressures and savings on the High Needs Budget as part of a DSG Deficit Management Plan. In addition, where there is a deficit, this will have an adverse impact on the Council's cashflow position and will impact on the resources available for investment – which will result in the investment income being lower.

4.8 Looking to 2024/25, it seems unlikely that any increase in government funding will meet the impact of the ongoing pressures identified, however the mitigation actions taken will continue to contribute to minimise these, but further actions will be required. The Council will be looking to work with the Schools Forum to consider a transfer of funding from the Schools Block (SB) of the DSG to HNB. This was not requested this year due to the pressure on schools' budget and the DSG surplus the Council was holding at the time. If agreed, this would generate circa £1.5m additional funding for the HNB. Forum will also be asked to look at measures that will support inclusion in mainstream settings and provide challenge where any school may not be meeting this standard.

4.9 Identifying and meeting the needs of children and young people with SEND at the earliest opportunity and putting in place appropriate actions to meet these needs, remains the central focus of all this work. Ensuring that the whole system works in an inclusive and joined up way is key to meeting this aspiration and to ensuring the efficient use of available resources to manage costs effectively.

4.10 At Spring Budget, the Chancellor announced additional funding for the existing early years entitlements worth £204m in 2023-24 (from September 2023) and £288m in 2024-25. This is for local authorities to increase hourly rates paid to childcare providers for the government's existing entitlement offers.

4.11 In July the Government announced that for 2023-24, that this will be distributed to LAs through a new standalone top-up grant called the Early Years Supplementary Grant (EYSG) the allocation received by NNC is £1.112m for Sept 23 to March 24 and this will be allocated on a monthly basis out to providers. From 1st April 2024 the supplement grant will be removed, and the additional funding will form part of the base rate.

5. Forecast DSG Deficit 2023/24

5.1 The DFE made changes to the regulations, now incorporated into the School and Early Years Finance (England) Regulations 2023 in regulation 8, regulation 39 and schedule 2, to give statutory backing to a new process for handling DSG deficits. The Council must now:

- carry all the deficit forward to set against the schools budget in the next financial year; or
- carry part of the deficit forward to set against the schools budget in the next financial year and carry the rest of it forward to the following financial year; or
- not set any of the deficit against the schools budget in the next financial year but carry all the deficit forward to the following financial year.

5.2 These provisions will be repeated in future regulations so that part or all the deficit can be carried forward further a year at a time, to be dealt with through DSG that will be received in future years.

5.3 If the Council sets any part of the deficit against the schools budget for the next financial year, it must plan to eliminate that part of the deficit through funding from the DSG that it will receive during that financial year.

5.4 If the Council carries any part of the deficit forward to the following financial year, that means it is not planning to eliminate that part of the deficit from DSG received in the next financial year but will need to eliminate it from DSG received in future years.

5.5 The Department for Levelling Up, Housing and Communities (DLUHC) laid the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020 on 6 November 2020, which then came into force on 29 November 2020. The regulations provide that any DSG deficit at the end of 2020 to 2021 must not be charged to a general fund but must be charged to a separate fund established, charged, and used solely for the purpose of recognising deficits in respect of the schools budget. This has the effect of separating any such deficit from a local authority's general fund. DLUHC have now confirmed that these regulations will continue to operate up to the end of financial year 2025 to 2026.

5.6 The DSG conditions of grant set out that any local authority with an overall deficit on its DSG account at the end of the financial year, or whose DSG surplus has substantially reduced during the year, must be able to present a plan to the department and cooperate in handling that situation by:

- providing information, as and when requested by the DFE about its plans for managing its DSG account in the 2023-24 financial year and subsequently.
- providing information, as and when requested by the DFE about pressures and potential savings on its high needs budget.

- meeting with DFE's officials, as and when they request to discuss the local authority's plans and financial situation.
- keeping the schools forum updated regularly about the local authority's DSG account and plans for handling it, including high needs pressures and potential savings.

5.7 The DFE have developed a DSG deficit management plan template and accompanying guidance for local authorities to use to develop evidence-based and strategic plans covering the provision available for children and young people with SEND. In all cases, the DFE expect local authorities' management plans to focus on how they will bring in-year spending in line with in-year resources.

5.8 The high needs benchmarking tool helps to facilitate a better understanding of how a local authority's high needs expenditure and use of provision compares with that of other authorities and to prompt local discussion of how current spending patterns might need to change. In addition, the DFE have published research and guidance on managing special educational needs provision and the high needs budget effectively.

5.9 The DFE is now running 3 programmes offering direct support in respect of the effectiveness and sustainability of local authorities' high needs systems, which together will work with all local authorities: the Safety Valve Intervention programme, the Delivering Better Value in SEND (DBV) programme and ESFA support programme. The aim of all 3 programmes is to secure sustainable management of local authorities' high needs systems.

5.10 The Safety Valve Intervention programme will continue to target the local authorities with the highest DSG deficits. The programme requires the local authorities involved to develop substantial plans for reform to rapidly place them on a sustainable footing. If the local authorities can demonstrate sufficiently that their DSG management plans create lasting sustainability, the department will enter into an agreement with the local authority. Upon the local authority demonstrating progress they will receive incremental funding to eliminate their historic deficits, generally spread over 5 financial years.

5.11 The new Delivering Better Value in SEND (DBV) programme will target authorities with less severe but either substantial and/or growing deficit issues, helping them reform their high needs systems, to provide effective and sustainable SEND services that will achieve better outcomes for children and young people with SEND. The DBV programme has similar aims to safety valve but maintains a slightly different approach to support local authorities with regards to the provision of SEND services. The programme will not include funding to eliminate historic deficits.

5.12 The ESFA will continue its programme of support for all remaining local authorities, supporting them to develop appropriate DSG management plans. The ESFA Local Authority Stakeholder Engagement Team will aim to meet with all local authorities not included in the safety valve and DBV programmes and will provide support and challenge through a detailed review of management plans for the remaining local authorities in deficit, to help them achieve financial sustainability.

5.13 Schools Forum is asked to note the DFE's statutory requirements with regards to a DSG High Needs Block deficit. Further urgent work needs to be done by colleagues in the High Needs Team with Finance to complete the DFE's DSG Management Plan with the possibility of an extraordinary Schools Forum meeting to discuss the DSG Management Plan and the next steps.

6. Recommendations

Schools Forum are asked to note this report.

7. Financial Implications

The financial implications are set out in this report. The current forecast position is an overspend of £9.019m.

8. Legal implications

8.1 Schools funding is governed by The School and Early Years Finance (England) Regulations 2023. It is important to ensure decisions are made within the regulations set.

9. Risks

9.1 The deliverability of the 2023-24 Budget is monitored by Budget Managers and Assistant Directors. Where any variances or emerging pressures are identified during the year, then mitigating actions have been sought and management interventions undertaken.

9.2 Details of pressures, risks and mitigating actions implemented are provided as part of the finance monitoring reports. The main risks identified include an increase in demand on placement numbers and costs within the High Needs Block.

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