

Schools Forum – 10 December 2024

Title of paper:	DSG Revenue Outturn 2023/24
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Summary To update Schools Forum as to the 2023/24 Financial Year Outturn position and the subsequent impact on the DSG Reserve Balance.	
Recommendation:	
1	That Forum notes the report.

1. Reasons for recommendations

- 1.1 To inform Schools Forum of the DSG income received for the Financial Year 2023/24, the expenditure incurred, the impact upon Statutory School Reserves and the anticipated future impact upon Reserves.

2. Background

- 2.1 On 17 of January 2023, Schools Forum received the Schools Budget 2023/24 Report, the recommendations in that report pertinent to this report are as follows

DSG

- a) *To note the overall indicative 2023/24 Schools Budget to be spent incorporating the Schools, Central Schools Services (CSS), EY's and HN's blocks is £344.944m.*
- b) *To note this is funded by:*
- i. *£342.836m of the provisional 2023/24 DSG allocation of £344.819m;*
 - iii. *£1.438m from DSG reserves to support the additional one-off distribution to mainstream schools, from the balance earmarked for distribution in conjunction with the SF sub-group;*
 - iv. *£0.148m from DSG reserves to support the 2023/24 SEN Inclusion Fund budget, from the balance earmarked for EY/EY Disability Access Funding;*
 - v. *£0.075m from DSG reserves to support a higher 2-Year-Old Base rate for 2023/24, from the balance earmarked for EY.*
- c) *To note that the budget will be updated in year to reflect subsequent adjustments made by the ESFA to our 2023/24 DSG allocation as described in the report.*
- d) *To note that any balance remaining will be allocated to the Statutory School reserve (SSR). This includes the £1.983m balance of the provisional DSG allocation, which represents a proportion of the additional High Needs funding*

announced in the Autumn Statement. If any new HN budget requirements arise in year, over and above those planned from the HN budget outlined in this report then separate in-year approval will be sought.

Additional one-off DSG distribution to mainstream schools

- a) To note that the budget presented in this report includes the distribution of an additional £85 per pupil in one-off funding for mainstream schools in 2023/24 which amounts to £3.710m. This approach required a Minimum Funding Guarantee disapplication request to the Secretary of State which was been approved on 10 January 2023

DSG block transfers

- a) To note that this budget incorporates the £0.458m HN to Central School Services Block transfer approved at SF on 6 December 2022.
- b) To note that this budget incorporates a final figure of £1.907m for the HN to Schools Block transfer approved at SF on 6 December 2022.

- 1.4 To ensure transparency over the methodology and approach for the 2023/24 Schools Budget, which incorporates funding from DSG reserves in order to respond to the current level of financial pressures in schools and settings.

The DSG settlement published on 16 December confirmed £400m in additional funding for high needs linked to the Autumn Statement. This provides Nottingham City with a further £2.536m for High Needs in 2023/24 and means that there will now be a surplus on the HNB for 2023/24 even after the block transfer.

3. Actual Income and Expenditure

- 3.1 The provisional DSG allocation above was £344,819,000 the actual received was £344,092,473 giving an unplanned shortfall of £726,527 following in year adjustments by the ESFA as noted in DSG c) above. In year adjustments to the DSG are expected which is why indicative budgets are issued ahead of the start of the Financial Year as they may be subject to change as allocations are amended during the Financial Year.

- 3.2 The following table provides a top-level summary by Block of Actual Income, Expenditure, and the net movement

Block	Allocated DSG funding	Expenditure	Net
Schools	260,156,782	261,613,702.00	-1,456,920.00
Central School Services	4,037,220.00	4,037,220.00	0.00
High Needs	58,282,086	59,080,995.36	-798,909.36
Early Years	21,616,385	22,076,983.70	-460,598.70
Total	344,092,473.00	346,808,901.06	-2,716,428.06

- 3.3 The most significant of these movements is the unplanned overspend in the High Needs Block (HNB), that not only removed the ability to make a contribution of £1,983,000 to the Statutory School Reserve (SSR) but also consumed the £600,000

contingency also included in the HNB Budget as set out and agreed in the Budget on the 17th of January 2023.

3.4 The top three overspending areas in the HNB are as follows

	Budget	Actual	Overspend
PRU - UDLC Indicative	£ 5,706,529	£ 7,461,874	-£ 1,755,345
Independent/Non Maintained Special Schools	£ 1,632,000	£ 2,547,322	-£ 915,322
PRU - HHE Indicative hospital funding excluding NEST	£ 2,243,112	£ 3,004,666	-£ 761,554

3.5 The increase seen in Permanently Excluded pupils would appear to be the main driver along with the cost of Independent and Non-Maintained Special School Placements. In 2023/24 there was also a slight drop in the amounts paid to mainstream schools for High Level Needs (HLN) which would suggest that there were some schools choosing to P'EX rather than invest in supporting pupils. This drop in HLN did offset the cost in P'EX in the last Financial Year. However, in the current financial year 2024/25 we are seeing both a growth in HLN requests and a growth in P'EX's, often at a younger age.

4. The Impact upon Statutory School Reserves

4.1 The planned movement in reserves in the 23/24 Budget should have increased the Statutory School Reserves (SSR) by £322,000, please see Table 1 below.

Table 1 Planned Impact on Reserves	
Opening Reserve Balance 1/4/2023	£ 21,744,697.45
Planned Draw downs	
Contribution to Schools Block being £85 per pupil	-£ 1,438,000.00
To support SEN Inclusion Fund budget	-£ 148,000.00
To support a higher 2 year old base rate	-£ 75,000.00
Planned Contributions	
HN funding per Autumn Statement	£ 1,983,000.00
Planned Position as at the 31/3/24	£ 22,066,697.45

4.2 However, the actual movement in the Statutory School Reserves led to an overall reduction of £2,716,428 which can be seen below in Table 2.

Table 2 Actual Impact on Reserves	
Opening Reserve Balance 1/4/2023	£ 21,744,697.45
Actual Draw Downs	
Contribution to Schools Block being £85 per pupil	-£ 1,438,000.00
Contribution to Schools Block for Trade Union Reps	-£ 18,920.00
To support SEN Inclusion Fund budget	-£ 91,771.64
To support a higher 2 year old base rate	-£ 93,190.06
2022/23 Early Years lagged Spring Funding adjustment	-£ 275,637.00
Overspend on High Needs Block	-£ 798,909.36
Actual Contributions	
Nil	
Actual Position as at the 31/3/24	£ 19,028,269.39

5. Statutory School Reserve Forecast

- 5.1 There are several planned uses for the current SSR that have previously been agreed at Schools Forum, such as the 2023 to 2028 SEN Sufficiency Capital Programme and the support through Mental Health Support Teams (MHST) for s19 Children and young people. Whilst the SEN Sufficiency Programme will have impact upon the DSG due to the need of funding for the additional places, without adopting and expanding the current sufficiency strategy, we risk running out of places and will ultimately have to secure more expensive placements. The aim is to keep the young person within their community as well as within their local maintained specialist provision or school.
- 5.2 Over the next short term, we do expect to see costs increase in the areas of Independent and Non-Maintained Special School Placements, Alternative Provision Costs for Permanently Excluded Pupils, HLN and Post 16 placements as these areas are already in 2024/25 showing signs of continued growth. The AP Inclusion model in its current format is due to end as of 31 March 2025, highlighting the need for a replacement form of support for mainstream schools.
- 5.3 At the time of writing, we are awaiting confirmation at the end of November as to what our allocation will be of the additional £1 billion SEND funding announced in the Autumn Statement on 30 October 2024, the DRAFT 2024/25 forecast below includes an estimated amount of £1,500,000 for this.

31/03/2024	Reserve Balance	£ 19,028,269.39	
	Planned commitments for 24/25		
	s19 CYP support through MHST (part year impact)	£ 622,663.42	Agreed at Schools Forum July 24
	Increase in Unity PAN	£ 673,000.00	Estimate
	Anticipated overspends based on 23/24 Outturn		
	INMSS Places	£ 1,900,000.00	Estimate
	Post 16	£ 1,500,000.00	Estimate
	HLN overspend	£ 1,155,000.00	Estimate
	Exclusions	£ 2,000,000.00	Estimate
	Transfer to reserves	£ -	Estimate
	Estimated allocation as per Autumn Statement 30/10/24	-£ 1,500,000.00	Estimate
31/03/2025	Estimated Reserve Balance	£ 12,677,605.97	

The above would suggest an in-year deficit of £6,350,663 which is effectively a doubling of the HNB in-year deficit of 2023/24 if growth continues at its current pace.

- 5.4 At this point in time the DRAFT forecast below for the Financial Year 2025/26 is assuming a 5% inflationary uplift in DSG HNB income as this is the Block that is under pressure and the Schools Block and Early Years Blocks are to the main “pass through” blocks. The Central Schools Services Block is also coming under pressure but that will be covered in a separate paper. The SEN Sufficiency Programme is a planned Invest to Save Opportunity.

31/03/2025 Estimated Reserve Balance		£ 12,677,605.97	
01/04/2025	SEN Sufficiency Programme	£ 203,070.00	Jan 26 delivery of 20 Secondary, 8 Primary Focused Provision Places
	s19 CYP support agreed SF July 24	£ 444,759.58	Part year impact
	Schools Block £85 requirement	£ 1,500,000.00	Estimate and year on year
	HNB Overspend as above	£ 6,882,750.00	Costs will not reduce unless interventions have an impact + 5% inflation
	Increase in Income if 5% achieved	-£ 2,736,950.00	
31/03/2026 Reserve Balance		£ 7,273,495.55	

The above would suggest an in-year deficit of £5,404,110, which is a slowing down of the growth given that 28 places are coming online for part of that Financial Year due to the SEN Sufficiency Programme with minimal outlay and a tapering of the MHST support for s19 pupils.

5.5 At this point in time the DRAFT forecast below for the Financial Year 2026/27 is again assuming a 5% inflationary uplift in DSG HNB income as this is the Block that is under pressure and 5% has traditionally been the uplift ceiling. The Schools Block and Early Years Blocks remain “pass through” blocks. The Central Schools Services Block is also coming under pressure but that will be covered in a separate paper. The SEN Sufficiency Programme is a planned Invest to Save Opportunity with an increased outlay in this Financial Year of £1,846,401 which although it does provide places part way through this financial year, the outlay takes longer to recover than the previous year’s outlay of £203,070.

5.6 It is anticipated that if the current levels of growth and P’EX continues in this Financial Year 2026/27 we will have an in-year Deficit of £7,699,491 which will consume all current SSR and enter an overall Deficit position.

31/03/2026 Reserve Balance		£ 7,273,495.55	
	SEN Sufficiency Programme	£ 1,297,776.00	30 Secondary, 16 Primary FP places and 24 Special School places
	AP Free School	£ 548,625.00	Assume Sept 26 opening and part year impact of 45 places
	Schools Block £85 requirement	£ 1,500,000.00	Estimate and year on year
	HNB Overspend as above	£ 7,226,887.50	Costs will not reduce unless interventions have an impact + 5% inflation
	Increase in Income if 5% achieved	-£ 2,873,797.50	
31/03/2027 Reserve Balance		-£ 425,995.45	DEFICIT will occur in the Financial Year 2026/27

	2023/24	2024/25	2025/26	2026/27
Opening Reserve Balance	£ 21,744,697.45	£ 19,028,269.39	£ 12,677,605.97	£ 7,273,495.55
In Year Deficit	-£ 2,716,428.06	-£ 6,350,663.42	-£ 5,404,110.42	-£ 7,699,491.00
Closing Reserve Balance	£19,028,269.39	£12,677,605.97	£ 7,273,495.55	-£ 425,995.45

6. Consideration of Risk

6.1 The forecasts above are based on current levels of expenditure and growth and an assumption that Nottingham City Council will continue to attract the 5% uplift in HNB income it has historically.

6.2 The purpose and intent of this DRAFT Forecast is to highlight the potential direction of travel if steps are not taken now to both control and reduce costs. The growth in demand and costs is a national picture but Nottingham City Council does have an unusually high level of Permanent Exclusions.

7. **List of background papers relied upon in writing this report (not including published documents or confidential or exempt information)**

7.1 None.

8. **Published documents**

8.1 '*Schools Budget 2023/24 Report*' - Schools Forum, 17 January 2023.