

SCHOOLS FORUM
2023-24 SCHOOLS BUDGET OUTTURN
18 JUNE 2023

Content Applicable To:		School Phase:	
Maintained Primary and Secondary Schools	X	Pre School	X
Academies	X	Foundation Stage	X
PVI Settings	X	Primary	X
Special Schools / Academies	X	Secondary	X
Local Authority	X	Post sixteen	

Purpose of Report

Content Requires:		By:	
Noting	X	Maintained Primary School Members	
Decision		Maintained Secondary School Members	
		Maintained Special School Members	
		Academy Members	
		All Schools Forum	X

1. This report presents the 2023-24 Schools Budget outturn position and confirms the Dedicated Schools Grant (DSG) Reserve.

Recommendations

2. The Schools Forum note the content of this report.

2023-24 Schools' Budget Outturn

3. The 2023-24 Outturn position for the Children and Young People's Department is summarised in the following table. This table presents both the Local Authority and Schools Budget for completeness, but the report presents detail only for the Schools Budget funding blocks.
4. Overall, DSG was overspent by £1.9m (Schools Block underspend £1.6m, Early Years Block underspend £2.1m and High Needs overspend £5.6m). The following table provides an analysis of the overspend.

	Budget £,000	(Under) / Over Spend		Schools Block	Early Years Block	High Needs Block	LA Block
		£,000	%	£,000	£,000	£,000	£,000
C&FS Directorate	1,516	(11)	-1%	(0)	(0)	(1)	(9)
Safeguarding, Improvement & QA	2,762	(81)	-3%				(81)
Children in Care	56,792	9,740	17%				9,740
Field Social Work	16,665	(659)	-4%				(659)
Practice Excellence	574	5	1%				5
C&FS Children & Families Welbeing	10,998	(46)	0%				(46)
Education Sufficiency	1,181	(118)	-10%	(61)			(57)
Education Quality & Inclusion	47,097	(60)	0%		(462)	746	(343)
SEND & Children with Disabilities	103,666	6,886	7%			4,824	2,062
Business Support & Commissioning	11,699	1,273	11%		19	(6)	1,260
CFS Other	(146,297)	(3,214)	2%	(1,554)	(1,735)	91	(17)
Total	106,652	13,717	13%	(1,615)	(2,178)	5,654	11,855

5. The issues behind the performance of each of the DSG Blocks can be summarised as:

Schools Block underspend £1.6m. The School Block includes funding for individual schools which is delegated in full to maintained schools and academies and for the revenue costs associated with opening new, and expanding, mainstream schools. The underspend relates to the latter and the funding will be required to meet the cost of new schools anticipated to open in the future. New schools are now being commissioned on an annual basis and it is expected that expenditure will exceed annual DSG in the medium term. The revenue costs of opening a 210-place new primary school are currently estimated to be £0.57m and £2.5m for a 750-place secondary school. One element of the cost is the replication of the National Funding Formula (NFF) for the period between September and March and until pupil characteristics generate the school budget, costs increase with the additional funding placed nationally in the NFF.

For 2024-25, the Department for Education (DfE) has changed the methodology for allocating growth funding to local authorities and introduced minimum funding allocations for growing schools. This change is not expected to have any significant impact on the cost of commissioning new schools but will increase costs where schools are being expanded to meet the basic need for school places. The future commitments against school growth will be recalculated once additional school places for the 2024-25 academic year are confirmed and will also include any revised expectations on the future opening dates of new schools.

Early Years underspend £2.1m. The budget is based on the number of hours used to calculate the original 2023-24 Early Years DSG income in December 2022. The 2023-24 Early Years DSG income was increased in July 2023 by £1.8m to allow for the Spring Term 2023 census. This includes a prior year adjustment of £0.6m relating to 2022-23. The forecast hours paid to Providers for 2023-24 are £0.9m more than the budget, which

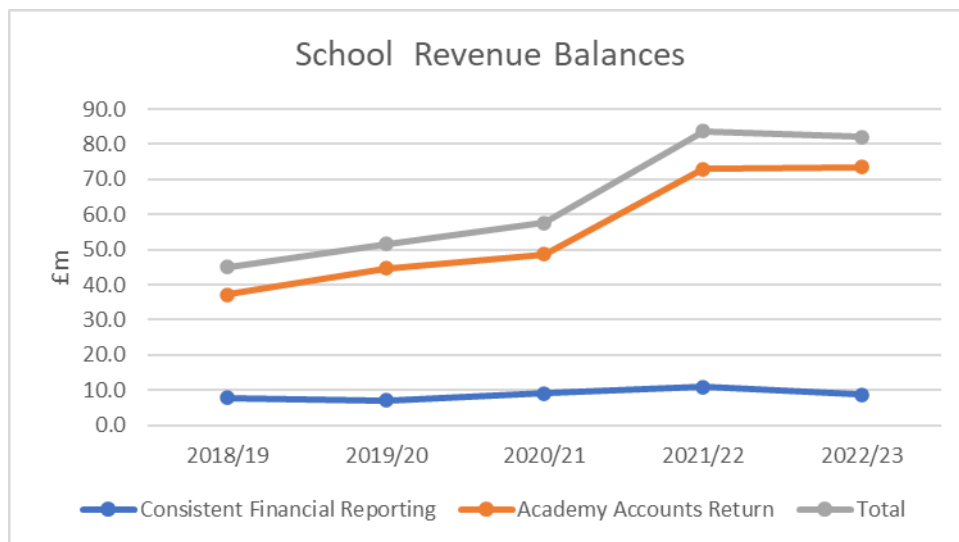
reflects the estimated Spring 2024 payments to providers. There is also a planned underspend of £0.9m as part of the recovery of the 2022-23 Early Years deficit, and centrally managed budgets are forecast to underspend by £0.4m. The deficit as of 31 March 2023 was £5.3m, so this projected £2.1m underspend will reduce this. The plan is to fully recover this deficit over 4 years. The DfE will recalculate the 2023-24 Early Years DSG income in 2024-25, based on the Spring 2024 census data. This is estimated to be an increase in grant of £0.3m.

High Needs overspend £5.6m. A significant number of places in the Communication & Interaction (C&I) units and Social, Emotional and Mental Health needs (SEMH) units created over the last few years remain empty – this particular area reports a £0.6m underspend against budget. Whilst growth in Independent Specialist Provider (ISP) places continues, the rate of this is less than reflected in the original MTFS, so also contributes to the reduced overspend. The reduced overspend relates to a lower than anticipated need for higher cost Independent Special Schools Places and reduced occupancy of SEN Units than budgeted partially offset by an increased use of special school places.

This represents a significantly overall reduced overspend position on the High Needs Block in comparison to previous in-year projections, and this is linked to the TSIL programme focusing significantly on ensuring that all data within the Special Educational Needs and Disabilities (SEND) system is robust to enable effective management of the SEN system. This has focused upon both data on individual pupils and how that data translates into robust financial data through the introduction of effective financial processes. Resolving data quality and establishing more robust data transfer of pupil data from SENA to finance systems has identified a over provision of financial commitments, and an action plan is under development to address the identified issues.

Maintained School Balances

6. It is not possible to formally analyse balances for maintained schools until the return of the Consistent Financial Reporting (CFR) returns submitted to the local authority in mid-June and the subsequent isolation of balances that may be held on behalf of academies where the financial closedown of the former maintained school accounts has yet to be completed. However, the indications are that maintained school balances have decreased by an overall £4m. Balances for academies are published by the DfE from the Academy Accounts Return (AAR).
7. Whilst school balances may be seen as an indicator of financial health, they are a snapshot of a particular point in time and that schools may have plans to utilise them for several things, including dealing with future budget issues, appointment of additional staff where pupil number may be growing, building improvements etc. To get an overall view of the trend in Leicestershire maintained schools and academies balances the published CFR an AAR data has been brought together in the following chart to present a holistic view of the financial position of all Leicestershire schools. Whilst reporting years are different for maintained schools and academies, the data is for a full financial year.



Data for individual schools and MATs by financial year can be accessed through the DfE website: [Gov.uk | Data Sources & Interpretation](https://www.gov.uk/government/data-sources).

Dedicated Schools Grant Reserve

8. The DSG reserve continues to record a deficit which remains forecast to grow significantly to the end of the four years of the 2024-25 MTFS despite the successful expansion of specialist provision within Leicestershire.
9. The following table sets out the component parts of the DSG reserve, a positive figure denotes a deficit:

	Schools £,000	High Needs £,000	Early Years £,000	CSSB £,000	Total £,000
2022/23 Reserves Brought Forward	-10,505	35,533	5,286	-154	30,160
2023/24 Outturn	-1,615	5,654	-2,178	0	1,861
Balance Carried Forward	-12,120	41,187	3,108	-154	32,021

10. Whilst the reserve is set out showing the balances on each DSG block, the deficit is managed at a local authority level and the DfE monitors financial performance on the total reserve; there is no formal requirement to sub divide into funding blocks. As such, for the DfE's three tier intervention programme the financial position of authorities is assessed on the value of the full reserve i.e., deficit of £32m rather than the higher figure of the High Needs Deficit of £41.2m. Whilst data on the values of the DSG reserve and its components is not readily and easily available for all local authorities, soft information suggests that most local authorities are offsetting high needs deficits with a schools block surplus.

High Needs Issues

11. Nationally, concern over the impact of SEND reform on High Needs expenditure, and the financial difficulties this exposes local authorities to, is growing. Whilst the Government's Green Paper is set to result in systemic changes to the national SEND system, such changes may take several years to deliver, and none appear to address the funding issues.
12. Leicestershire is actively engaged within the DfE's Delivering Better Value (DBV) in SEND programme because of the DSG deficit and has received £1m in grant funding from the DfE to support the transformation of the SEND system. The Transforming SEND in Leicestershire (TSIL) has moved to an implementation and sustainability phase and improvements created during the design stage are being rolled out; this programme and the DBV programme are closely aligned. Discussions have taken place with the DfE regarding the strategic partner and funding. Whilst the cost of the strategic partner cannot be charged to DSG, the investment in TSIL is recognised as a key step in reducing the DSG deficit and as such would be taken into consideration if there was a call on the County Council to contribute to the deficit reduction, as has been the case for authorities with even more serious deficits.
13. Without new interventions the High Needs block deficit is forecast to continue to increase over the MTFS period and is not financially sustainable, the deficit of £111.7m in 2028-29 equates to 20% of the total 2024-25 County Council budget. This creates a significant and unresolved financial risk to the Council. Work is underway to reassess the financial impact on the budget over the coming months and target cost reductions from the service transformation within the TSIL programme are £36.5m by 2028-29.

Resource Implications

14. All resource implications are contained within the body of the report. However, authorities are required to carry forward DSG as an unusable reserve and may only now contribute to DSG with the approval of the Secretary of State. Whilst this is the approach the DfE have encapsulated in legislation up until March 2026 it is not confirmed past this point. The DfE intervention programmes i.e., Safety Valve Agreement for local authorities with the highest deficits and the DBV programme for others have focused on returning local authorities to a balanced budget position by March 2026. The programmes have been in place for some time, and they have a mixed impact, in 2024 some Safety Valve Agreements have been suspended because of failure to deliver the agreed cost reductions and authorities have moved from DBV to Safety Valve. However, the DfE have said that some local authorities have fully delivered against their agreements and exited the programmes.
15. Without the DfE addressing this through additional funding and/or significant system change, local authorities will be required to set aside resources to offset the deficit. At the levels of expected growth, the position is completely unsustainable and puts the Council's finances in a difficult position. As such it is essential that the planned measures to contain ongoing growth are successful and both demand and costs are reduced.

Equal Opportunity Issues

16. There are no equality issues arising directly from this report.

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