

West Northants Schools Forum: 2 July 2024

Agenda Item 6

2023-24 Dedicated Schools Grant (DSG) Provisional Outturn and School Balances

List of Appendices

Appendix A – 2023-24 Maintained School Balances

1 Purpose of Report

1.1 The report provides an assessment of West Northamptonshire Council's DSG provisional outturn position against its approved 2023-24 budget. This report also provides the maintained schools balances and reserves position for the year ending 31 March 2024.

2 Executive Summary

2.1 Table 1 summarises the DSG provisional outturn and variance for the financial year 2023-24.

Table 1 – Provisional Outturn 2023-24 by DSG Block £k

DSG Block	Gross Expenditure Budget £'000	Recoupment £'000	Net Expenditure Budget £'000	Provisional Outturn Forecast Expenditure £'000	Provisional Outturn Forecast Variance £'000	Movement from Period 9 £'000
Schools	342,159	(274,335)	67,824	67,206	(618)	(484)
Early Years Provision	27,845	0	27,845	26,906	(939)	(565)
High Needs	70,145	(17,221)	52,924	58,898	5,974	375
Central Schools Services Block	3,792	0	3,792	3,487	(305)	(294)
TOTAL	443,941	(291,556)	152,385	156,497	4,112	(968)

2.2 The DSG provisional outturn variance is an overall overspend of £4.1m due to pressures within the High Needs Block, a favourable movement of £1.0m from the position reported as at Period 9 which was reported to Schools Forum in February 2024.

3 Financial Overview by DSG Block

3.1 High Needs Block

3.2 The overspend in the High Needs Block totals £6m. The in year overspend is predominantly in provision for pupils with SEN (£3.5m) due to increased support for pupils in mainstream and special schools, in SEN units and for those without EHCPs.

By supporting more mainstream schools and units to meet higher levels of need, pressures on more expensive specialist independent placements are avoided.

- 3.3 The large majority of the remaining high needs block overspend is mainly due to increased demand and costs for independent placements provision (including out of county placements) for pupils with SEND (£2.3m) with sufficiency issues in meeting demand in county, despite the increases as outlined in the previous paragraph.
- 3.4 The capital programme includes £34m investment in a new special school with a target completion date of September 2025, and continuation of works to increase resourced places in mainstream schools and special school expansions over the next academic year to support better outcomes for children, create in excess of an additional 600 places and reduce financial pressures over the medium term. This will be funded through central government grants and Council borrowing.

3.5 Early Years Block

- 3.6 The early years block provisional outturn variance is an underspend of £0.9m.
- 3.7 There is an underspend of £0.4m on central expenditure which in the main relates to staffing vacancies. Active recruitment has been ongoing in order to fulfil the offer of advice, support and guidance to the sector around quality first teaching, safeguarding, SEND specialist support, transitions, funding and any other areas of need.
- 3.8 Three and four year old funding is underspent by £0.4m and two year old funding is underspent by £0.1m due to fewer hours claimed according to the January census figures compared to the budgeted hours. This accounts for the movement since the Period 9 report.

3.9 Central Schools Services Block (CSSB)

- 3.10 The central schools services block provisional outturn variance is an underspend of £0.3m.

3.11 Schools Block

- 3.12 There is a £0.6m underspend on the schools block which largely relates to underspends on de-delegations (£0.4m) which will be ring fenced (to maintained schools whose delegated budgets were reduced for this central function following approval through the schools forum) and carried forwards into next financial year to support this activity. The remaining balance is due to an underspend on the growth fund due to a rebate adjustment relating to academies.

3.13 DSG Balances

Table 2 – DSG Balances as at 31 March 24 by DSG Block £k

DSG Block	Balance as at 31 March 2023 £'000	Movements in Year 2023-24 £'000	2023-24 Provisional Outturn Variance £'000	Balance as at 31 March 2024 £'000	Movement from Prior Year £'000
Schools	(441)	387	(618)	(672)	(231)
Early Years	(1,717)	0	(939)	(2,656)	(939)
High Needs	1,967	(1,703)	5,974	6,238	4,271
Central Schools Services Block	(1,610)	0	(305)	(1,915)	(305)
TOTAL	(1,801)	(1,316)	4,112	995	2,796

3.14 The table above shows that the WNC DSG balances move from an overall surplus of £1.8m as at the end of March 2023, to a deficit of £1.0m as at the end of March 2024. These balances are carried forward into 2024-25 as part of DSG balances, along with confirmation of a supporting deficit recovery plan.

3.15 The deficit balance is mainly due to the challenges the Council faces around increasing demand, rising costs due to inflation, and current lack of placement supply in county to meet demand for SEND as outlined under the High Needs Block section above. These issues are replicated nationally.

3.16 The council faces additional challenges in that the funding it receives from central government is amongst the lowest compared to regional and national benchmark, with the increase in funding in recent years being at the bottom end of the annual % uplift through the High Needs National Funding Formula, and at just 3% for 2024-25. Even if the Council were to get the maximum uplift in funding at 5%, this would not even be sufficient to meet the structural deficit.

3.17 The most recent estimate from the f40 group of the national High Needs block deficit is £2.3bn at the end of March (rising to £3.6bn by March 2025 with no intervention), with some London authorities with deficits in excess of £100m, and some regional neighbours with deficits up to £30m.

3.18 WNC is actively undertaking significant work to put in place actions to mitigate and manage demand pressures in year, and across the medium term.

3.19 The Council is committed to working with the sector, from early years through to post 16, and using expertise across all partners to develop best practice in ensuring a system wide approach to ensure that there are enough high-quality services and provisions, which are jointly planned and delivered, so children and young people can stay within their local communities wherever possible.

3.20 There is currently a statutory override in place (meaning that any DSG deficits are not included in councils' main revenue budgets) which has been extended until March 2026.

4 School Balances

4.1 School Balances

4.2 Within West Northamptonshire, as at 31 March 2024 there were 5 maintained nursery, 60 primary and 1 special maintained schools. There were also 88 primary, 17 secondary, 7 special, 5 all through, 3 alternative provision and 1 UTC academy schools. There were three academy conversions within the 2023-24 financial year, and there is currently one other in the planning stages.

4.3 Schools Forum decides on the maintained school balance control mechanism, which sets out the criteria against which schools can retain balances. The current agreement is the claw back of excess uncommitted balances above 10%. This is to ensure that schools are investing their funding in the improvement of education for their current students as well as to maintain financial rigour and control.

4.4 The balances are reviewed and if within the school carry forward policy, they are allowed to keep the unspent balances. We are not proposing any changes to that policy for 2023-24 balances.

4.5 At the end of 2023-24 there are 4 schools with balances above the 10% allowable levels. These range from £1k to £21k, and from 10.2% up to 11.9% of their 2023-24 budget.

4.6 WNC currently has no formal process for reviewing balances above the allowable uncommitted revenue carry forward percentage or other balances, and will consult upon the implementation of a review panel for balances as at the end of the 2024-25 financial year and future years as part of the Schools Funding consultation in the Autumn.

4.7 For 2023-24 carry forwards, with the endorsement of Schools Forum, the Council do not intend to clawback any of the uncommitted balances above 10%.

4.8 Individual schools balances at 31 March 2024 total £7.92m across 5 maintained nursery, 60 primary and 1 special maintained school. Of this £0.85m is capital, £2.37m is revenue committed and £4.70m is uncommitted.

4.9A more detailed view on the individual school balances carried forwards can be found in Appendix A.

4.10 School Deficits

4.11 School deficits occur due to a number of factors. A significant factor is falling pupil numbers resulting in a reduced budget allocation because pupil numbers are the key driver in the school funding formula. Other factors that are likely to have an impact in 2024-25 and beyond are inflation and utilities costs.

4.12 Nine¹ schools were in deficit at the end of 2023-24 comprising a total deficit value of £436k. The number of schools with deficits has increased from 6 to 9, and the overall deficit value has increased by £343k from £93k since the end of the prior year. However, 2 schools make up 54% of the total deficit – one has submitted a plan to

¹ One of these schools is pending finalization and could move from a deficit to a surplus position.

balance across the medium term and the other is due some back dated funding. The remaining schools in deficit values range from £12k to £54k, and from 1.7% to 6.0% of their 2023-24 budget.

- 4.13 Schools in deficit are a risk to both the authority and the schools concerned both financially and in terms of the potential impact on the pupils within those schools and their education. Usually schools with deficits will need to reduce their expenditure in order to pay back the deficit in the next financial year. Taking such action often requires a review of the staffing structure within the school.
- 4.14 All schools with a deficit are required to submit a financial recovery plan and progress against this is monitored by the school, its governors, Schools Finance and where relevant the Learning and Effectiveness team.
- 4.15 Although schools are autonomous bodies the authority has continued to increase the accountability and reporting requirements on schools in deficit. Schools with deficits are required to submit for review and approval a financial recovery plan and submit either monthly or quarterly monitoring reports, depending on the scale of the deficit, so that the authority can review whether the school is on target to meet the financial recovery targets it has agreed to. This has allowed both schools and the authority to better track financial performance against each schools agreed recovery plan and ensure prompt action is taken if projections indicate the planned targets are projected not to be achieved.

5 Financial implications

- 5.1 Resource and financial implications of the WNC DSG budget are set out in the body of, and appendices to, this report.

6 Legal implications

- 6.1 There are no legal implications arising from the proposals.

7 Risks

- 7.1 This report sets out the financial provisional outturn and any risks identified in the Council's DSG budgets.

8 Recommendations for Schools forum

- 8.1 That Schools forum notes the provisional outturn position for the year ended 31 March 2024.
- 8.2 That Schools Forum endorses the WNC decision not to clawback uncommitted school balances exceeding 10% as at the end of the 2023-24 financial year.
- 8.3 That Schools Forum notes the school balances position as at 31 March 2024.

Report Author:

Officer name: Emily Cooledge

Officer title: Strategic Finance Business Partner

Email address: emily.cooledge@westnorthants.gov.uk