

## Dedicated Schools Grant 2024-2025 – Quarter 2 Financial position and forecast outturn

### SUMMARY

- 1.1 The Dedicated Schools Grant (DSG) is a ring-fenced grant. Regulations allow any underspends or overspends to be carried forward and dealt with as part of the budget setting process for the following financial year. This report is to give account on the 2024-25 financial position forecasting to the end of the financial year March 2025.

### RECOMMENDATIONS

- 2.1 To note the forecast outturn position for 2024-25, the current forecast is predicting an in-year deficit of £6.767m. Which is £1.855m lower than the in-year deficit set at budget time.
- 2.2 To note the implications for the 2024-5 DSG reserve in section 4.0 which is predicting a cumulative DSG deficit position of £19.455m.
- 2.3 To note the requirement of the Deficit Management Recovery Plan in section 5.0.

### SUPPORTING INFORMATION

- 3.1 The Dedicated Schools Grant (DSG) for Derby is split into four blocks: Schools Block, Early Years Block, High Needs Block, and a Central School Services Block.

The 2024-25 allocation for the DSG is £338.291m and is made up of four blocks of funding:

- Schools Block £245.966m (included the Mainstream Schools Additional Grant and £1.5m NNDR)
- Central School Services Block £2.556m
- High Needs Block £58.596m
- Early Years Block £31.173m

The budget set for 24-25 planned for an in-year **deficit of £8.623m** resulting in a forecast cumulative deficit of **£21.311m**. The government's extension of the DSG statutory override for a core of period of 3 years (up to March 2026) remains,

affording the short-term financial flexibility needed for authorities as they implement sustainable change, underpinned, and reinforced by the government's longer-term reforms. Derby's deficit position requires the authority to apply the statutory override.

The levels of demand have meant that there are insufficient resources to meet needs. A significant number of local authorities are operating with a High Needs deficit. In Derby we are projecting a cumulative total of £19.455m deficit by the end of 2024/5 financial year. This has been accrued over three years.

There is a strong expectation by the DFE that local authorities not only address their in-year deficits but also reduce the historical deficits. How this is achieved is articulated in an HNB deficit management plan. It is important to note that whilst our demand has increased by 25% last year our incremental rise in funding each year has been 3%. The challenge to resources are furthered by the charges that Independent non maintained special schools (INMSS) are able to command.

The variable approach in how schools respond to children with additional needs, has translated into an increase in demand in the city for children and young people to be identified as having a special educational need. There was a 25% increase in demand for new EHC needs assessments in Derby in 2023 compared to the previous year, higher than in comparator authorities, regionally and nationally. So that there was:

- 5.2% of children with an EHCP in Derby compared to 4.7% nationally.
- The per 10K request for an EHC assessment was 25.1 in Derby compared to 19.2 in Leicestershire and 26 in Derbyshire.

This follows increases year on year and represents 775 new requests in 2023, up from 620 in 2022 and 531 in 2021.

### 3.2 **School Block is reporting a balanced position**

### 3.3 **Central Block is reporting a balance position**

3.4 **Early Years is initially reporting a balance position.** However, it needs to be noted that numbers from the first census count of the current financial year (for three- and four-year-olds) is indicating an underspend of circa £0.4m due to lower take up than budgeted. The regulations state that at the final census count in January 25, any underspends will evoke a 24-25 clawback, that clawback will only be known at that point in the financial year.

The clawback for 23-24 has been announced at £0.14m and will be offset by any surplus within the early years block at the end of this year. It is prudent to hold this potential underspend in respect of three- and four-year-olds to offset any clawback. The current existing 2-year-old funding is currently forecasting a balanced position for the financial year.

Early Years Funding has increased from **April 2024** for working parents of two-year-olds enabling access to 15 hours of free childcare and from **Sept 2024**, 15 hours of free childcare will be extended to all children from the age of nine months. From **September 2025**, working parents of children under the age of five will be entitled to 30 hours free childcare per week. Staggering the approach intends to give childcare providers time to prepare for the changes.

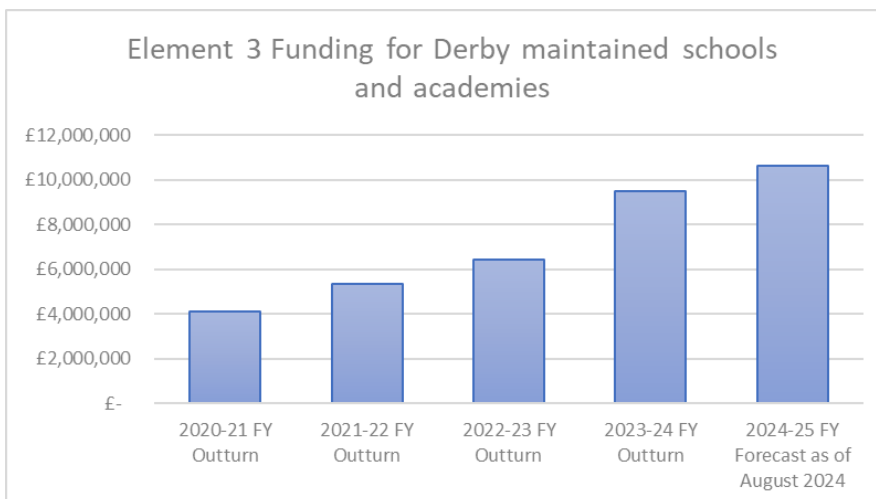
The introduction of two new formula areas that are recalculated on participation is a first for 24-25, the impact of the in-year census on the outturn is yet to be measured. The current forecast is based on numbers being at least the allocation allowance set at the beginning of the year for the 2 year olds , those accessing provisions for 9 months starting Sept 24 impact will be reported at quarter 3.

**3.5 High Needs Block is reporting an in-year deficit of £6.767m which is a reduction of £1.885m from the deficit set.**

The 24-25 budget had agreed approval to transfer £1.229m from the Schools Block to the High Needs block, with a focus to ease the pressures reported within the High Needs Block after the Council contribution toward HN transformation of £1m for both 22-23 and 23-24 financial year.

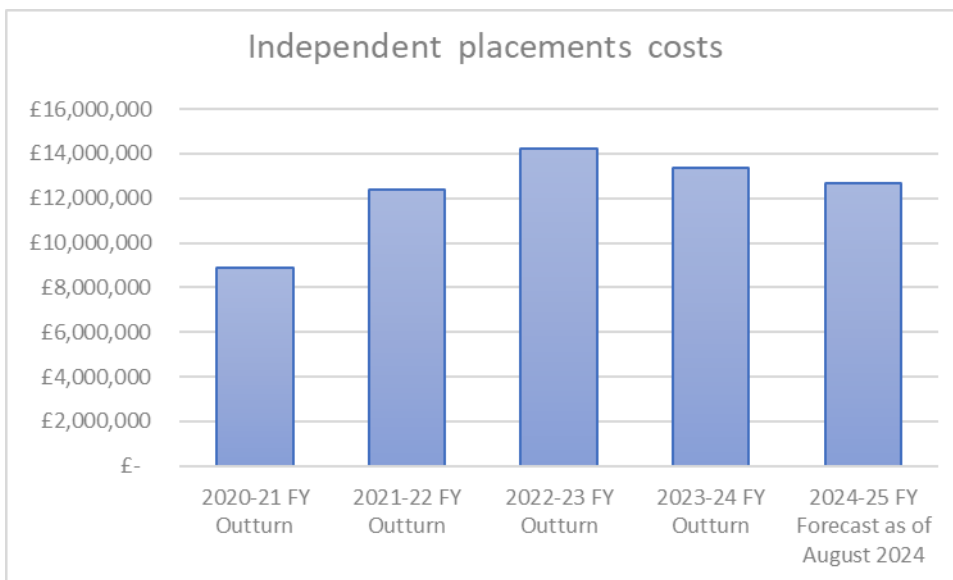
The forecast at quarter 2 is a reduction of the budgeted deficit of £1.855m. This is a movement of £2.249m from quarter 1. The revised position has been achieved through a number of measures, such as tightening of existing regulations, in depth scrutiny with better decision making, realising debts from other LAs and improved forecasting.

- Post 16** –is reporting a pressure of £0.831m due to increased numbers at Derby College. This is an adverse change from quarter 1 of £0.431. Actual learners cannot be confirmed until post-enrolment, however, costs profiled based on discussions with providers, applicants, and consultations at Phase Transfer. Most post-16 costs are for Derby College (253 places assumed). The forecast includes a contingency of £0.200m for post-16 that is made up of any unconfirmed placements.
- Maintained School’s Element 3** – initial reporting is a pressure of £0.630m on a budget of £10m. Within the forecast there is a contingency for ‘unconfirmed’ commitments as a value of £1.3m, any variance to this once placements are agreed will alter the forecast presented in this report, the number of current active **funded** plans have been refreshed these are now reporting 685 the forecast does include an 8% growth for the rest for the rest of the financial year – this is in addition to the contingency above. The graph below shows the rise in funding over the last 4 years.



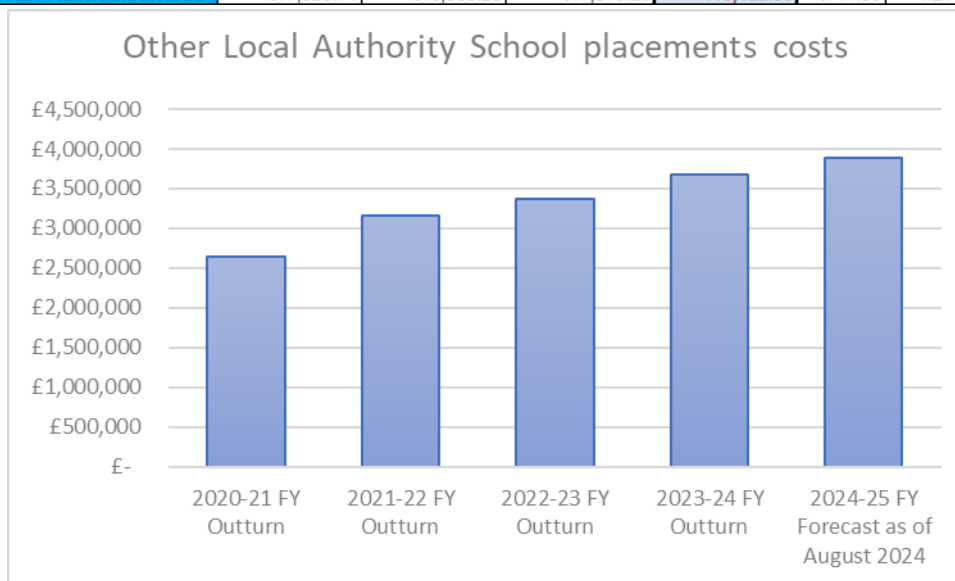
- **Special Schools** – initial reporting is an underspend against the original budget of £0.2m (original budget is £13.2m) this underspend is a net position due to the realisation of charges for current and previous financial years to other LAs for children in Derby’s maintained special school. Within the forecast the current exceptional needs commitment is circa £0.8m – made up of £0.550m of actual spend and a further £0.250m of new requests yet to be agreed.
- **Enhanced Resource Provisions** are reporting a balanced position at Quarter 2, there are planned expansions starting from Sept 24, across 4 schools (Cottons Farm, Springfield, Alvaston and Village) the increased revenue costs for supporting the planned expansion is forecast as planned in the capital strategy papers at 50% occupancy and/or transfer of current element 3 funded pupils. Any change from that planned expansion will be re-calculated and the forecast updated at Quarter 3.
- **Personal budgets** - the budget of £0.5m is reporting a balanced position. Personal Budget is an amount of money identified by the local authority to deliver provision set out in an EHC plan where the parent or young person is involved in securing that provision. Usually this will involve a direct payment to the parent/carer to allow them to secure educational provision specified in the EHC plan. In recent years an increase in personal budgets has been seen to support children and young people educated other than in school (EOTIS) to enable the council to ensure that they continue to receive the special educational provision they require.
- **Independent School places** is currently showing a reduction of £2.224m against budget of £14.913m. This includes all independent and non-maintained special schools (INMSS) and pre-16 alternative provision. Due to policy change and a move to step down to maintained schools, there have been fewer new placements made into INMSS than numbers assumed when setting the growth forecast in the budget. Within the forecast there is an element of unconfirmed commitment of £0.530m. Part of the reduced forecast is due to fee uplift projections of £1.244m which is being challenged therefore has been removed from the forecast. This is due to increased scrutiny of commissioning activity. INMSS place cost currently average £60K per annum per place compared to £15-30k for a specialist place in local schools. In Derby 219 young people aged 5-18 are accessing INMSS at a cost of £14.5million per year.

AVG Placement Costs	Avg cost 21/22	Avg cost 22/23	Avg cost 23/24	Avg cost 24/25	Avg cost increase 24/25	% Avg increase on last FY
Independent	£52,790.29	£54,925.43	£58,643.51	£57,066.21	-£1,577.30	-2.69%



- There are a number of other 3<sup>rd</sup> party providers that currently support children with education needs, the current forecast is £0.786m against a budget of £1.091m and is reporting an underspend of £0.305m.
- Other Local Authority school placements educating Debry's children are currently showing an underspend of £0.394m against a budget of £4m. Part of the underspend is due to a challenge regarding fee uplifts of £0.277m.

AVG Placement Costs	Avg cost 21/22	Avg cost 22/23	Avg cost 23/24	Avg cost 24/25	Avg cost increase 24/25	% Avg increase on last FY
OOA LA Maintained/Acaded	£17,620.71	£16,565.28	£17,678.28	£18,422.83	£744.55	4.21%



- Import and export adjustment has resulted in a small surplus of £0.183m, this will offset the current spending plans for those increased numbers within post 16.
- Staffing funded through DSG is reporting a slight underspend of £0.094m due to changes as planned through the transformation work.
- Hospital and medical is reporting a slight overspend of £0.035m.
- Cost for therapies not originally budget for is currently forecast to spend £0.054m

As at Quarter 2 it is forecast that all contingencies for transformation, expansions and growth will be fully spent as per the planned budget.

#### 4.0 Dedicated Schools Grant Reserve Balances

The table below shows the DSG reserves position over the last 8 financial years.

	£ million	
2017 18	6.994	
2018 19	2.836	
2019 20	2.582	
2020 21	4.211	
2021-22	(1.4)	Deficit with commitments
2022-23	(4.443)	Deficit
2023-24	(12.688)	Deficit
2024-25	(19.455)	Forecast Deficit

#### Deficit Management Plan

It is a requirement of the DSG: conditions of grant 2024-25 that local authorities (LAs) have a plan in place to manage their overspend on the DSG.

The dedicated schools grant management plan was agreed at Derby City Council's Cabinet meeting in June 2023. The management plan outlines the current trajectory of expenditure and sets out the identified, mitigating activities aimed at bringing expenditure back in line with forecasted budgets over the next five years, the plan has been updated for the 23-24 financial outturn and has been extended to beyond 2030. The plan has been agreed by the Department for Education who will systematically review progress with senior leaders across the local area.

The SEND Strategy through its transformational workstreams will impact on delivering a sustainable system with better outcomes and increased parental confidence, and without the plans Derby's unmitigated deficit would be significantly higher. This is in the context of a national SEND system that is under unprecedented pressure with the overspend on the high needs block forecast to hit the £3bn mark by the end of the financial year. To note this is currently contained within a national statutory override process that is due to end in March 2026, at which point there is the possibility that each deficit is held by the local authority. To address the deficits in local authorities the DFE have instigated the Safety Valve and Delivering better value initiatives to support local authorities to reduce a deficit position.

**For more information contact:**  
**Background papers:**  
**List of appendices:**

Janice Hadfield, email [Janice.Hadfield@derby.gov.uk](mailto:Janice.Hadfield@derby.gov.uk)