

Dedicated Schools Grant 2024-2025 –Financial position and forecast outturn update

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 2024-2025 financial position forecasting to the end of the financial year March 2025 in, focusing on those areas with any significant movement since Qtr2 reporting

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, no change to the previous monitoring report.
- 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 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.

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. The second head count has taken place in October the picture for the Early years block is much more positive with good take up.

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.

There are increased numbers in all ages from 9 months to 2 years which is encouraging, it won't be until January 25 that the full impact of the autumn numbers are known due to the way the census data is collected and verified. It's important to say that as of November, Derby has not had confirmation of the changes announced with regard to the new in-year reconciliation will impact on the initial allocations. Once the guidance is received then school forum will be updated.

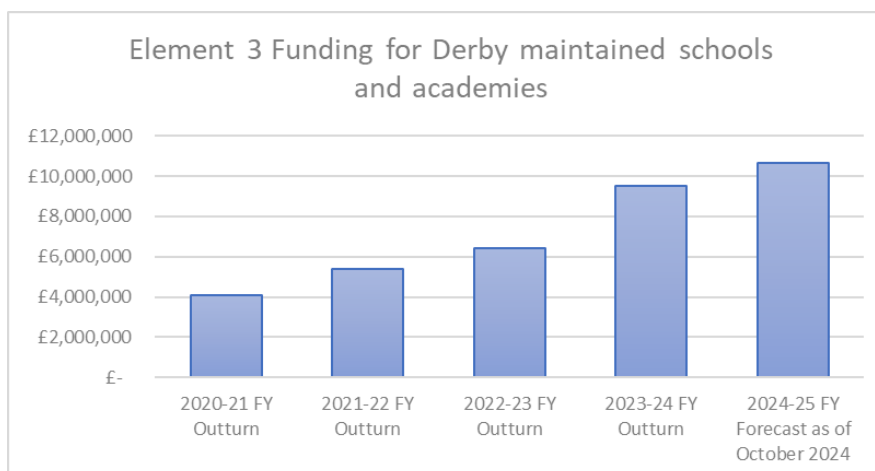
Three and four year olds are reporting an increase in take up both for summer and autumn terms of circa 263 Part Time Equivalents , a significant increase on the previous year, it is expected that increase to be sustained into the spring, this would result in Derby benefiting from a favourable adjustment at the end of the year of as opposed to a clawback as seen in the previous two financial years, the exact figures will be know in January . 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 recorded after the first head count, (reported at Qtr2) to offset any clawback. The treatment of any pressure due to a growth in numbers is yet to be determined by the Department of Education.

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 remains as reported at Quarter 2 – Whilst the service remains in a period of change there is work continuing to understand costs going forward. It is felt until the new term settles completely it is prudent to not change the high needs block forecast, however there are indications that the pressure will reduce due to all contingencies set at budget time not being fully realised.

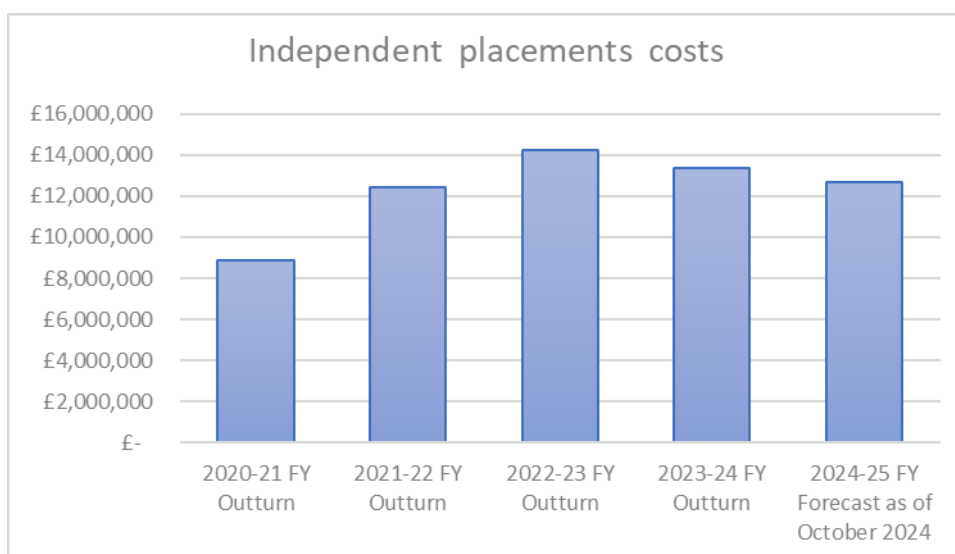
- **Post 16** –no change from previous report - a pressure of £0.831m due to increased numbers at Derby College. However, it is prudent to revise the contingency applying to increased numbers to £0.5m from £0.2m, this increase in contingency would be funded through other contingencies not fully realised, until the final position is known in January the forecast remains unaltered.
- **Maintained School’s Element 3** – initial reporting is a pressure of £0.630m on a budget of £10m. No change to forecast from previous reporting, the contingency reported at that point for ‘unconfirmed’ commitments was £1.3m, £0.3m of that has now been committed leaving a balance of £1m for any unconfirmed amounts for the rest of the financial year 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 continues an assumed 8% growth for the rest for the rest of the financial year, additional 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, again at this stage no change to previous reporting.
- **Enhanced Resource Provisions** are reporting a balanced position , no change from previous reporting ,expansion of ER places were budgeted at the start of the year and that is forecast to be spent as planned any deviation from that forecast will impact on the final position.

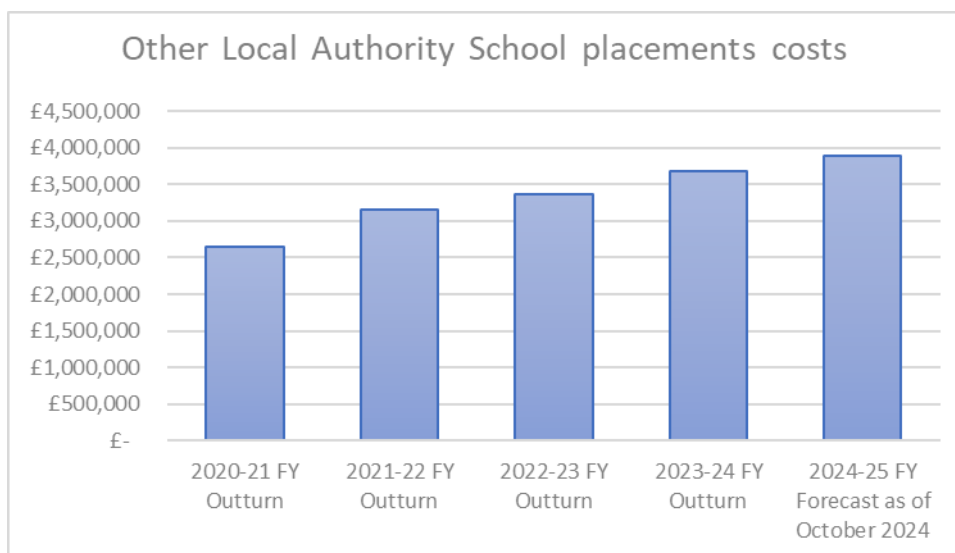
- **Personal budgets** - the budget of £0.5m is reporting a balanced position, no change from previous reporting. Personal Budget is an amount of money identified by the local authority to deliver provision set out in an EHC plan where the parent or young person is involved in securing that provision. 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** no change to the previous reporting a underspend from the budget set 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. In Derby 219 young people aged 5-18 are accessing INMSS.

AVG Placement Costs	Avg cost 21/22	Avg cost 22/23	Avg cost 23/24	Avg cost 24/25	Avg cost decrease 24/25	% Avg decrease on last FY
Independent	£52,790.29	£54,925.43	£58,643.51	£55,793.65	-£2,849.86	-4.86%



- There are a number of other 3rd 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, this forecast remains stable.
- Other Local Authority school placements educating Deby'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/Academy	£17,620.71	£16,565.28	£17,678.28	£18,351.73	£673.45	3.81%



- 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

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

5.0 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 HNB deficit management plan is centred under three headings. These headings have been identified by the DFE and are applied nationally.

- Financial Management
- Sufficiency

- Managing demand

These three areas do have a level of interdependency and should not be considered in isolation. Working groups have been established to drive forward work under these headings. The focus of these groups has been to explore how we are using resources and if we might do things differently retaining the focus of meeting the needs of children in Derby. However, the approach must look to reduce spend and work towards a balanced budget. Due to the extent of the cumulative deficit, the delivery of the plan will be phased, both in terms of development and implementation. There will be ongoing engagement with the sector to consider how the deficit will be managed and to facilitate reflections on the implementation of the developments.

Critical to the establishing the pace of change will be the retention of the statutory override. The statutory override is currently due to end in March 2026, however the expectation is that there will be an extension to March 2027. As things currently stand the DSG deficit is considered as one of the top risks to the Council's financial sustainability. If and how the DFE take steps to recover the deficit will expose the local authority to significant financial risk. As such there is an imperative to reduce the deficit year on year and an expectation of the DFE and government that the local authority takes steps to do this. As details emerge regarding recovery expectation the pressure on the reduction of the deficit will be considered.

5.1 **Financial management**

The focus for effective financial management in Derby has focussed on a review of the allocation of E3; assurance that the HNB has been utilised as per the funding operational guidance and the Code of Practice; due diligence in the use of resources allocated to alternative provision including independent non maintained special schools.

Derby City has historically devolved funding to schools reducing the amount available to provide central services. Consideration is also given to how these resources have been used and whether better outcomes could be achieved through the increased in those central services.

5.2 **Allocation of E3 (please refer to Appendices 1,2,3,4)**

A review of the allocation of funding under E3 identified a methodology based on an uncapped funding system applied inconsistently and by funding request from settings. Often exceptional funding was requested without a clear understanding of how this was a one-off funding agreement to meet exceptional needs or how this funding would provide relevant additionality beyond the provisions map across the setting, or how it was additionally to the use of notional budgets or AWPU. When provision maps were requested, settings were requesting funding for SENCo's or other members of the leadership team that should be funded through AWPU. Occasionally settings requested funding that should be accessed via the Integrated Care Board, including mental health and support to meet the health needs of pupils in schools. Therefore, a short guidance note has been developed for the application and use of exceptional funding and the funding that should be allocated from notional budgets and AWPU.

The new banding matrix was developed following a review of the systems used by other local authorities where deficits had not been accrued, where funding was linked to needs and where provision maps would be more clearly aligned to needs

and improving outcomes for children and young people. Headteachers (from mainstream, special schools and enhanced provisions), SENCOs, representatives from the Schools' Forum and members of the Statutory Assessment Service, have been involved in the development of the Banding Matrix. The Matrix has been tested by schools and the local authority multiagency decision-making panel for the decision to agree an assessment and an EHC Plan.

The banding matrix will support a fair and equitable distribution of resources for statutory plans relating to special educational needs. The proposal to Cabinet will be to apply the new system to new EHC plans from March 2025. Existing plans will be reviewed within the context of an annual review and will be implemented with effect from September 2025.

The post 16 banding matrix will be developed as part of the next phase of development.

This will result in savings to the HNB .

5.3 **Due diligence on the use of resources .**

During the 2023/4 academic year a review was undertaken with respect to the use of the HNB for alternative provision, which includes Independent Non- Maintained Special Schools (INMSS) and EOTAS. This included ensuring there is sufficiency in place funding for the pupil referral unit, health needs provision and intervention support for young people to remain in school, above that already devolved through notional budget allocation. Consideration was also given to how additional packages were established commensurate with other local authorities for comparative needs; and the effective use of the resources for provision maps at scale and individually. All future packages will be determined on needs against the matrix and securing joint funding where appropriate.

£14.5m is currently allocated to INMSS, of which over £7m is for those not on the S41 approved list of schools. The local authority operates within the Code of Practice and always apply a mainstream preference approach. However, consideration will be given to the use of the independent sector where public expenditure will allow. Work will be undertaken with the sector to explore how this can be achieved.

Alternative provision as part of EOTAS packages are also subject to due diligence checks. Comparative provision that offers a good use of resources will be sought in all cases. Parents do have the right to tribunal where they believe needs are not being met through the packages developed.

Consideration is also being given to all funding that should be funded from the ICB or from social care, transport or other sources, in line with HNB funding guidance.

This will result in savings to the HNB.

5.4 **Sufficiency**

The Derby City Council SEND capital budget as of 2023/24 financial year was £24m with £7m allocated. Assuring the provision of specialist places in the local area is the responsibility of the local authority, during the 2023/24 academic year workshops were undertaken with settings to explore the development of places within the financial envelope available and to meet the needs of pupils with special educational needs. Consequently:

- Each special school is undergoing an expansion of provision either through new capital builds, allocation so new facilities, the refurbishment of existing facilities or the development of satellites in local primary school.
- New enhanced resource provisions are being established across 8 primary schools and 4 secondary schools. It is our ambition to expand this provision in all settings in Derby.

By September 2025 the local authority working with schools in Derby will have provided an additional 390 specialist places. This will support more young people to remain in local provision, assuring a more effective use of resources.

Activity has also been underway to expand Post 16 provision to reduce the number of young people being referred for post 16 independent provision and reduce the number of young people NEET.

Whilst these actions will result in cost avoidance supporting more young people to stay locally, the expansion of provision also looks to provide opportunities for young people to return from the Independent sector, therefore providing a saving.

Managing Demand

5.5

The managing demand theme looks to ensure that pupils receive the right support at the right time.

In 2023 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.

The culture of demand in Derby as opposed to meeting those needs differently and earlier is not only a feature for Derby but reflects the national picture. Over the last few years support for children with additional needs, identified in the research undertaken by the Education Endowment Foundation (EEF¹), has shifted the focus from progressing as early as possible through a medicalised approach to SEN diagnosis, an education, health and care plan and a special school for most children, towards a more social approach grounded in an understanding of child development and the impact of a child's environment. This approach was supported through research conducted by Ofsted with reference to the impact of the pandemic².

When undertaking deep dives in referral requests in Derby City, confirmed the approach in Derby was to progress through a medical model to special schools. Whilst some children and young people will require a place in a special school, this is invariably due to complex learning disabilities and difficulties and where those children and young people are not able to access the national curriculum. The

¹ https://d2tic4wvo1iusb.cloudfront.net/production/eef-guidance-reports/send/EEF_Special_Educational_Needs_in_Mainstream_Schools_Guidance_Report.pdf?v=1717061513

² [Education recovery in early years providers: summer 2022 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/education-recovery-in-early-years-providers-summer-2022)

referrals uncovered a cohort characterized by slower child development in speech, language and communication, emotional regulation and transactional skills for younger children. Additionally, non-SEN issues such as English as an additional language, deprivation, trauma and attachment feature significantly; but also highly anxious neurodiverse children and young people with families not having confidence that their child's needs can be met in their current school. It is useful to note that autism diagnosis does not mean an EHCP, all schools should be able to meet the needs of most children through reasonable adjustments. For secondary issues focus on emotional dysregulation and impact from long standing ACEs. Indeed its useful to note that 90% of suspensions are for those who are known to or previously known to social care.

This is a similar picture to the research undertaken by the DFE Delivering Better Value and Safety Valve programmes over 55% of referrals could have been met differently and through earlier support, catch up support, and support through allied professionals would have prevented the escalation of needs.

As a consequence, we have also reviewed the decision making for EHCNAs applied in local authorities with good outcomes from Inspections, and where needs have been met earlier through the reasonable adjustments and a graduated approach and as such have a lower rate of demand for and number of EHCPs. The new decision making approach was tested with SENCos at SENCo forums in the spring and summer term of 23/24 and with the multiagency decision making panel. This has been applied in the autumn term and 50% of referrals are now subject to discussions with schools and parents on how best to meet a child's or young person's needs.

Additionally, we are looking to invest in earlier intervention through:

- The launch of a new Early Years Strategy being developed with the sector.
- Early years and school workforce development to enable earlier support. This includes working with the University of Derby and Derby special schools developing and implementing a new workforce development strategy to be implemented in the Spring term 2024/5.

This builds on the existing workforce development programme that has delivered over 2000 teachers trained in trauma and attachment: all schools with emotional literacy support assistants, and Autism in Education training.

- Establish a strengthened graduated approach (Annex 2)
- The introduction of a new multi-disciplinary early intervention team, to ensure that children's needs are met appropriately and without the need for an EHC plan in most cases.

- The Inclusion and SEND Partnership has recently scoped the development of whole city approach to speech and language skills to ensure that communication needs can be met earlier.
- Introduction of new Inclusion and Attendance Officers and expansion of specialist teachers and assistant educational psychologists.
- Work with CAMHS to explore clinical psychologists as part of the new multidisciplinary teams.
- Strategies also include working closely with health to improve the response to neurodiverse young people in schools. Locally the Area Inclusion Partnership has implemented a pilot programme of PINS in 10 primary schools; ensured the link between education settings, the Neurodiversity Hub and Family Hubs so that parents feel their support needs are being met; rolled out Autism in Schools and the Oliver McGowan training on learning disabilities.
- Critical to this is our work with parents and carers. The newly formed Parent and Carer forum is as our strategic partner working alongside us to explore how we can better communicate with parents. This includes a piece of action research recently launched, led by the University, to develop a good practice toolkit for schools and services, coproduced with parents/carers schools and services.

Most of this activity will be a cost avoidance to the HNB, but with the new workforce development and interventions established there is an expectation that through annual reviews, provision will be reviewed, a staying put approach adopted, and EHCPs amended or ceased for some.

<p>For more information contact: Background papers: List of appendices:</p>	<p>Janice Hadfield, email Janice.Hadfield@derby.gov.uk</p> <p>Appendix 1 High Needs funding Appendix 2 The Derby Way Appendix 3 EHCNA Guidance Document 02-09 FIDS Appendix 4a Matrix Trial Appendix 4b Banding</p>
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