

Report to the Schools Forum 6 June 2024

Dedicated Schools Grant (DSG) Outturn 2023/24

1 Council DSG Position

- 1.1 As noted in previous meetings of this Forum, the High Needs area of DSG and therefore Councils' overall DSG positions, continue to be under pressure, both in T&W and elsewhere.
- 1.2 For Telford and Wrekin, the DSG balance at the start of 2023/24 was a £247,000 surplus. At the end of the year this had deteriorated to a deficit of £1,823,000, therefore representing an in-year deficit of just over £2m.
- 1.3 Comparing 2023/24 expenditure to 2022/23, areas of high needs with the largest increase in expenditure were special schools, independent schools post 16 and EHCPs
- 1.4 There were also significant increases in other areas of high needs, for example transport costs, post 16 colleges, independent schools pre 16 and the fair share fund.
- 1.5 The increase in funding in 2023/24 compared to 2022/23 was £3.422m (£34.971m in 2023/24 compared to £31.549m in 2022/23), but the overall increase in expenditure was £5.4m, creating the year end deficit situation.
- 1.6 It should be noted that whilst the absolute increase in expenditure was highest for special schools, in percentage terms the other two large areas of increase (independent schools post-16 and EHCPs) were significantly higher:
- 1.7 For 2024/25, the high needs allocation from Telford & Wrekin is £36.639m, an increase of £1.668m compared to 2023/24, i.e. a much smaller increase than seen in recent years. Resources available for high needs in 2024/25 have been supplemented by the 0.5% of the Schools Block that the Forum agreed to transfer, amounting to £820K, and a proportionate increase in the amount transferred from the larger 2024/25 early years block, amounting to £117K. Thus the total increase in high needs funding compared to 2023/24 is £2.6m.
- 1.8 However, given that 2023/24 expenditure was already £2m more than the available resources, this only leaves £600K for any 2024/25 pressures. This is unlikely to be sufficient to cover inflationary pressures (e.g. from pay awards) even before any impact from demand pressures. There is also the potential full year impact of 2023/24 increases that occurred part way through the financial year, e.g. new independent placements from September 2023 and new EHCPs during the year. There is little indication that the demographic, social and legislative pressures underlying high needs budget pressures are easing.
- 1.9 In the context described above, there is thus a significant risk that the existing deficit significantly increases in 2024/25. To address this risk, a high needs cost improvement plan is being developed.
- 1.10 As noted at previous Forum meetings, the context to this situation is the national high needs deficit, at over £1bn at the end of March 2023, with two-thirds of relevant local authorities showing a DSG deficit at that time. A change in national regulations has meant that DSG

deficits are ring-fenced in local authority accounts until March 2026. It remains to be seen whether, after the general election, DfE policy and funding around high needs changes

Maintained School Balances

1.11 Maintained schools ended 2023/24 with revenue balances of £10m, made up as follows;

Single status	£2.2m
General revenue balances	£7.8m
Total	£10.0m

1.12 Revenue balances decreased by £1.3m compared to a year earlier. Capital balances also decreased, from £1.59m to £1.14m.

1.13 School balances are still significantly higher than pre covid (at the end of 2019/20 revenue balances were only £7m) but following the rapid increase during the two years significantly impacted by covid, followed by relative stability during 2022/23, balances are starting to decrease.

1.14 This is an indication, amongst other things, of the inflationary pressures faced by schools, particularly from support staff pay increases, for which (unlike teachers pay and pension increases), no specific additional funding has been provided.

1.15 The figures above mask considerable variances in individual schools – a number of schools with stable or falling pupil numbers are finding it financially very difficult whereas others still have significant balances with which to absorb cost pressures, at least in the short to medium term.

Tim Davis
Finance Manager
May 2024