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<b>Report title:</b> Dedicated Schools Grant 2023-24 Budget Monitor and Financial Update		
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## Executive Summary

This report sets out the latest in-year budget monitoring for the 2023-24 Dedicated Schools Grant (DSG) and provides an update to members on the latest school finance events.

## Schools Forum Actions

That the Schools Forum

- Note the DSG end of year financial forecast position for the year ending 31 March 2023, which is an overspend of £0.46m before receipt of expected Safety valve Funding of £2.77m (i.e. expected to be an underspend of just over £2.31m after receipt of this funding).
- Note that the Council has received £0.923m in this financial year to date under the safety valve and thus the cumulative deficit is currently sitting at £13.7m. Should all the Safety Valve requirements be met the Council expects to receive 2.77m in 2023/24. The cumulative deficit at year end is thus expected to be circa £12.3m.

## Dedicated School Grant

1. The Dedicated School Grant (DSG) allocation for 2023/24 is currently £202,650,423 after deductions for academies recoupment, NNDR and direct funding of high needs places by ESFA.

This is made up as follows:

Dedicated schools grant (DSG): 2023 to 2024 allocations

Schools block (£s)	107,936,587
Central school services block allocation (£s)	1,882,070
High needs block allocation (£s)	68,820,529
Early years block (£s)	24,011,237
<b>Total DSG allocation (£s)</b>	<b>202,650,423</b>

2. Table 1: Dedicated school grant forecast

	<b>DSG Forecast 2023-24 £000s</b>	<b>Over/ (Underspend) £000s</b>
Schools Block	107,937	0
Central services block	1,882	0
High Needs Block	68,821	462
Early Years Block	24,011	0
<b>Total</b>	<b>202,651</b>	<b>462</b>
Safety Valve Funding *	2,777	<b>-2,777</b>
<b>Final Outturn position</b>		<b>-2,315</b>
<b>Deficit carry forward from 2022-23</b>		<b>14,631</b>
<b>Expected end of year deficit</b>		<b>12,316</b>

\* Subject to meeting the requirements of the Safety Valve

**High Needs Block**

3. Southwark's current High Needs Block allocation and how this is made up is broken down below. It can be seen that there have been two changes since the beginning of the year, the first being an increase in the amount being deducted for the "import/export adjustment" and the second being an increase in the amount allocated as additional funding for Free Schools with the net result being a decrease of £22k.

**Table 2: Dedicated schools grant: 2023 to 2024 provisional high needs block allocations**

		<b>Original allocation (March 2023)</b>	<b>Revised allocation (August 2023)</b>	<b>Change</b>
Total high needs elements in the funding floor and gains calculation (£s)	[A]	61,902,955	61,902,955	0
Basic entitlement factor (area cost adjusted) unit of funding (£s)	[B]	5,656.28	5,656.28	0
Number of pupils in special schools and academies	[C]	862.50	862.50	0
Import/export adjustment (based on January 2022 school census and February R06 2021 to 22 individualised learner record) (£s)	[D]	-1,995,000	-2,124,000	-129,000
Additional Funding for Special Free Schools (£s)	[E]	516,082	623,006	106,924
Hospital education, alternative provision teachers pay/pension and supplementary funding factor (£s)	[F]	3,624,859	3,624,859	0
High needs national funding formula for historical spend, proxy factors, and funding floor allocation (£s)	[G]	64,149,693	64,149,693	0
Additional high needs allocation (£s)	[H]	2,945,335	2,945,335	0
Total high needs block before deductions (£s)	[I]	71,872,773	71,850,697	-22,076
HNB Deductions		-3,030,168	-3,030,168	0
HNB After Deductions (incl Additional High Needs Allocation)		68,842,605	68,820,529	-22,076

4. The High Needs Block is currently forecasting an overspend of £462k. The budget pressure on SEND placements is currently forecast to be broadly in line with the DSG Management Plan.

5. It should be noted that the current forecast has several caveats and limitations:
- The forecast assumes that all of the savings in the DSG Management Plan for 2023/24 will be delivered;
  - The forecast for the SEND placements participation budgets still need to be verified against current placements data. The issues that existed at year end which made it difficult to accurately accrue for unpaid expenditure are still being worked on by the SEN Team and this also means that the 2023/24 forecast is still subject to change. There is also always a large amount of changes at the start of the academic year which will still need to feed through to the forecast.
6. As has been the case for some time now, the pressure on DSG High Needs Block budgets is driven by both increased numbers of children with Additional Needs and also by inflationary pressures and increased unit costs especially in the Independent and Non Maintained sector.
7. The council has entered into the Safety Valve agreement with the DfE to eliminate the accumulated DSG deficit by 2026-27 with support of £23m Safety valve funding as set out in the DSG management plan. The DSG deficit was £21.6m at the beginning of 2022-23 and was projected to reach £72.5m by 2026-27 if there weren't any mitigating actions taken. Upon entering into the Agreement the council received an initial grant of £9.2m in 2022-23 to reduce the cumulative deficit.
8. The Safety valve agreement requires the council to achieve the financial targets contained in the agreed DSG Management Plan with formal monitoring against these targets three times a year. If targets are not achieved the DfE has the right to withhold the next instalment of funding. The expectation is the achievement of an in year balanced position by 2024-25.
9. Note that the DSG was in a deficit of £14.631m at 1<sup>st</sup> of April 2023. It is expected that with the achievements of the targets agreed in the DSG management plan the council will receive additional £2.77m in 2023-24. The council received income of £0.923m to date which is one third of the Safety valve grant agreed for this financial year. Table 3 below shows the schedule of potential additional grant payments as per the Safety Valve agreement for the duration of the programme.

The full schedule of additional receipts that the Council should receive under the Safety Valve Agreement is shown below.

**Table 3:**

<b>Year</b>	<b>The Department agrees to pay to the authority an additional £m of DSG by year end</b>
<b>2022-23</b>	£9.22m
<b>2023-24</b>	£2.77m
<b>2024-25</b>	£2.77m
<b>2025-26</b>	£2.77m
<b>2026-27</b>	£5.53m

## **10. Information about Teachers Pay Addition Grant**

The DfE has announced £525m to support schools with the September 2023 teachers' pay award in the 2023/24 financial year, with a further £900m in 2024/2025. The £525m covers 7 months and the £900m a full 12 months.

This funding will be rolled into core funding for the 2025/26 financial year. As the financial year for academies starts 5 months later than for maintained schools, academies will receive an additional 5 months of the grant covering April to August 2025.

### **Mainstream Schools**

Primary, secondary and all-through mainstream schools will be eligible for the grant (including both maintained schools and academies).

Schools will receive one payment for the 2023/24 financial year in November 2023 (with the exception of schools that are adding new year groups, which may receive a second payment in March). The ESFA has calculated allocations for each school and these amounts will be passed on to schools in full.

Individual school allocations have been published by the ESFA. The calculation follows that of the 2022/23 Supplementary Grant and the 2023/24 Mainstream School Additional Grant, namely an amount per pupil plus an amount per FSM Ever6 pupil plus a lump sum. The data used for the 2023/24 allocations is from the October 2022 census and will not be updated (with the exception of schools adding new year groups, where estimated numbers have been used, which will be updated with October 2023 census data).

The per pupil amounts are £42.80, £59.45 and £67.77 for primary, KS3 and KS4 respectively. The per FSM Ever6 pupil amounts are £36.86 for primary and £53.50 for secondary. The lump sum is £1,599. These amounts all contain an Area Cost Adjustment (ACA) to recognise the additional costs of education provision in London.

### **Specialist Provision**

Special schools, PRU's and hospital schools will be eligible for the grant, both maintained and academies.

The LA will receive payments for the 2023/24 financial year at the end of October 2023 and in March 2024. This funding will be distributed to schools in full, using a distribution to be agreed. This is expected to be based on place numbers which is consistent with the way in which the funding has been allocated to the LA.

The ESFA will be providing funding on the basis of place numbers. The first payment will be based on 2022/23 academic year place numbers (with the exception of PRU's, where 2023/24 place numbers will be used) and the second payment on 2023/24 academic year place numbers.

Previously, Teacher Pay Grant was distributed to schools on the basis of place numbers, replicating the ESFA allocations. Special schools, PRU's and hospital schools will be consulted on continuing to distribute on this basis.

The per place amount is £315.59. This includes an ACA to recognise the additional costs of education provision in London.

### **Post-16 Provision**

As the Post-16 grant year runs from August to July, the additional Post-16 funding has been added to the Post-16 grant, with revised allocations published in September 2023.

There will be no separate Teacher Pay Addition Grant amounts for Post-16 provision.

### **Early Years Provision**

Details of the additional funding for early year provision have yet to be published by the DfE. This information will be passed onto schools as soon as possible.

### **Permitted Use and Carry Forwards**

Teachers' Pay Additional Grant can only be spent-

- for the purposes of the school; or
- for the benefit of pupils registered at other maintained schools or academies, pupil referral units or hospital schools.

Teachers' Pay Additional Grant funds do not have to be spent by schools in the financial year beginning April 2023. Schools may carry some or all of the TPAG funds forward to future financial years.