



## Schools Forum

### **Report title: DSG 2023/24 Outturn (including Schools Balance Position) and DSG 2024/25 funding update**

**Date:** 27<sup>th</sup> June 2024

**Key decision:** No.

**Item number:** 9

### **Outline and recommendations**

*The report sets out the 2023/24 Dedicated Schools Grant (DSG Outturn Position) including the position with regards to schools' balances.*

*Schools Forum is asked to note the contents of this report with particular focus on:*

- *pressure on the DSG –High Needs Block*
- *surplus balance position for schools*
- *Provisional Schools Block position- noting a further report to forum once we have confirmation of the 2023/24 EY pupil validation and associated finances.*

*Schools' forum to further note the updated DSG position again*

- *Recognising the ongoing pressure on the High Needs Block*
- *Provisional EY block*
  - *Will require updating post validation of the 2023/24 pupil data*
  - *Revision still awaited with regards the under 2 year old offer which at present carries a level of risk.*

## Timeline of engagement and decision-making

This report is for information and discussion only.

### 1. Summary

- 1.1. The report confirms that the Dedicated Schools Grant Position for 2023/24 with a provisional overspend of £2.4m. This is an improvement on the original projection of £5m overspend, reflecting the impact of the mitigation plan. It should however be noted that the outturn position confirms the continuing pressure on the Dedicated Schools Grant –High Needs Block. The Early Years funding is provisional, and will not be finalised until the later part of Summer 2024. The cumulative DSG position now stands at £15.5m

### 2. Background

- 2.1. Each Local Authority receives a ringfenced grant known as the Dedicated Schools Grant (DSG) which requires adherence to detailed grant conditions.
- 2.2. The DSG is split into four parts being:
  - Schools Block – this largely covers the schools’ main budget share allocated to schools via the Schools Funding Formula and the Growth Fund. This mainly covers the 5 to 16 age range.
  - The Central Block – This varies for each Local Authority based on the agreed spend positions as at baseline year 2012/13. This now also incorporates a small amount for the ex Education Services Grant.
  - High Needs Block- This funding supports costs associated with special needs and alternative provision. The High Needs Block includes the costs of our special schools (and special units) as well as payments made to other provisions, including outborough placements, residential placements, Further Education etc. This covers 0 to 25 specialist provision costs
  - Early Years Block covers the 2, 3 and 4 years entitlement costs, including supplementary funding for the Maintained Nursery Schools, Disability Fund, EY Pupil Premium etc. There is a requirement on the main 3 and 4 year old budget that 95% of the budget must be identified as budgets that support providers. This could include hourly rate, deprivation funding, inclusion funding etc.
- 2.3. The DSG position remains provisional until the January Pupil Census data is finalised which is always post closure of accounts typically end of June/early July.

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### 3. DSG 2023/24 Position

3.1. Table 1 below shows the DSG position for 2023/24. Schools Forum will note that overall the DSG shows an overspend of £2.4m, this is an improved position on the expected Circa £4m to £5m. The reported position is subject to the finalisation of the Early Years Block which is provisional pending finalisation of the Early Years pupil number validation process as at January 2024. There remains a duty to spend within budget. Any overspend will need to be the first call on next year's budget (2024/25).

**Table 1**

DSG Projected Outturn	Schools Block	Central School Services Block	High Needs Block	Early Years Block	Total DSG Allocation
	£m	£m	£m	£m	£m
Lewisham Allocation	231.0	3.3	76.9	24.8	336.0
ESFA holdback (including import/export adjustment and recoupment)	-52.6	0.0	-0.4	0.0	-53.0
Virement agreed with Schools Forum	-0.7	0.0	0.7	0.0	0.0
Revised Funding	177.7	3.3	77.2	24.8	283.0
Expenditure	177.7	4.7	79.6	23.4	285.4
Awaiting finalisation from DfE				1.4	1.4
Met from Lewisham		-1.4			-1.4
Variance	0.0	0.0	-2.4	0.0	-2.4

Includes £0.3m growth fund to contingency in line with DfE regulations

- 3.2. **Schools Block** – the schools block is largely used to determine the schools allocations via the APT. A notional amount of £0.3m has been transferred to growth fund to support future pressures, therefore shown as fully spent.
- 3.3. **Early Years** - With regards Early Years, the position shows a provisional £1.4m underspend. At the time of writing the DfE has yet to confirm the final 2023/24 position for early years. This is pending the finalisation of data relating to the 2024 January census. Depending on the final position, Schools Forum will be updated accordingly at the next meeting.
- 3.4. **High Needs** - With regards to the High Needs Block, the final outturn position shows an overspend of circa £2.4m. This is an improved position relating to previous years and recognises the work undertaken as part of the initial mitigation plan now being embedded. As mentioned elsewhere in this report, Lewisham has now successfully submitted their bid for 2024/25, including detailed plan of actions to be undertaken. This work is expected to supplement

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the Mitigation plan already in place.

- 3.5. **Schools Forum is asked to note this report with particular concerns regarding the pressure on the High Needs Block and to agree to receive regular updates. Schools Forum to agree the continuation of the working group. Schools forum to recognise the need to spend within the High Needs block as a collective responsibility between Lewisham, Schools Forum and Schools.**

#### 4. Schools Balances

- 4.1. The table 2 below notes the schools balances position for 2023/24. The table notes a reduction in overall balances from £17.5m to £14.8m, a net movement of £2.8m.

**Table 2**

	2023/24	2022/23	Difference
Surplus	-23,576,836	-24,447,480	870,645
Deficit	8,788,220	6,882,161	1,906,059
Net Position	-14,788,616	-17,565,320	2,776,704

- 4.2. Further analysis of the data is shown in Table 3 2023/24, 2022/23 based on schools within bandings . Table 4 shows the variance between the 2 years.

**Table 3**

	2023/24				2022/23			
	School in deficit	Surplus (0%-8%)	Surplus (-9%-15%)	Surplus (<-15%)	School in deficit	Surplus (0%-8%)	Surplus (-9%-15%)	Surplus (<-15%)
Nursery	2	0	0	0	2	0	0	0
Special	1	1	1	3	1	0	0	5
Primary	21	16	7	13	17	15	12	13
Secondary	1	3	2	1	1	5	0	1
All-through	0	2	1	0	1	2	0	0
<b>TOTAL</b>	<b>25</b>	<b>22</b>	<b>11</b>	<b>17</b>	<b>22</b>	<b>22</b>	<b>12</b>	<b>19</b>

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**Table 4**

	School in deficit	Surplus (0%-8%)	Surplus (-9%-15%)	Surplus (<-15%)
<b>Variance</b>				
Nursery	0	0	0	0
Special	0	1	1	-2
Primary	4	1	-5	0
Secondary	0	-2	2	0
All-through	-1	0	1	0
<b>TOTAL</b>	<b>3</b>	<b>0</b>	<b>-1</b>	<b>-2</b>

- 4.3. Linking the two concepts of financial value to number of schools, table 5 shows the split of the surplus/deficit position across the phases.
- 4.4. The table shows that 25 schools are in deficit with a total of £8.79m value. The opposite end there are 17 schools with a total value of circa £14m. Schools Forum should not that neither extreme is acceptable. With regards schools that are in deficit mainly the issue is around Governing Bodies take action too late including taking action too late and living on reserves, errors undertaken by schools resulting in deficits. This is not to say that schools are not facing challenges, they are, there is pressure from various angles such as pay awards, inflation, energy cost increases etc. however this point highlights the need for strategic longer term budgeting with a resilience budget management in place. It should also be noted where the DfE fund schools via specific grants e.g pensions, teachers pay etc, where a school has a staffing model greater than the DfE model, schools will face additional pressure which will add to their financial position negatively.
- 4.5. With regards to schools in surplus, schools should manage surplus levels of a total of around 8%, this should result in circa 5% held in reserves and around 2% to 3% in contingency to allow for unexpected expenditure. By taking this approach each schools should be able to invest in today's pupils in the manner the DfE has funded.
- 4.6. Where schools have extreme surplus, there is a concern that the funding is not being invested in today's pupils. **Schools forum should note that for schools with extreme levels of surplus, the use of these needs to be carefully managed, so as to ensure any actions taken have an exit strategy and do not result in longer term structural deficits (i.e temporary actions not enhancing the overall structure of the schools). as stated above schools should work towards circa 5% in reserves and 2 to 3% in year contingency). At present we don't have a mechanism for engagement with schools that have large balances and will be something we need to consider.**

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**Table 5**

Phase	Total	School in deficit	Surplus (0%-8%)	Surplus (-9%-15%)	Surplus (<-15%)
	£m	£m	£m	£m	£m
Nursery	£0.75	£0.75	£0.00	£0.00	£0.00
Special	-£5.68	£0.40	-£0.15	-£0.71	-£5.21
Primary	-£3.74	£7.24	-£1.70	-£1.68	-£7.61
Secondary	-£4.20	£0.39	-£1.23	-£2.25	-£1.10
All-through	-£1.93	£0.00	-£1.13	-£0.80	£0.00
<b>TOTAL</b>	<b>-£14.79</b>	<b>£8.79</b>	<b>-£4.22</b>	<b>-£5.43</b>	<b>-£13.93</b>
<b>Schools</b>	<b>75</b>	<b>25</b>	<b>22</b>	<b>11</b>	<b>17</b>
%		33%	29%	15%	23%

4.7. A further observation is that deficit as a % of surplus is at 33%. Deficit cannot exceed 40% of the surplus position.

## 5. Schools In Financial Difficultly

5.1. Schools forum will recall that for 2023/24, the DfE awarded total funding of £482k. Schools with deficit's were supported with this one off funding as follows (Table 6).

**Table 6 - Schools Supported with one off Funding**

Primary	16
Secondary	1
Special	1
Nursery	2
	20

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5.2. **Schools Forum is asked to note the overall school balances position and supporting comments**

**6. 2024/25 Dedicated Schools Grant**

6.1. Table 7 below shows the 2024/25 DSG after ESFA import /export adjustment and academy recoupment. The table also shows the projected outturn for 2024/25 at this stage of the year.

6.2. Schools Forum is asked to note the following:

6.2.1. Schools block is mainly based on funding allocation to school and will therefore be spent to balance. As with each year there is a small provision of Growth fund which may or may not be used in full. Any funding unapplied will be kept a side for future pressure on the growth fund. It should be noted however the extent is unlikely to exceed £200k.

6.2.2. Central Schools Services Block – for the purpose of the DSG will be spent to budget. Schools forum will note that this funding is reduced year on year by 20%, this pressure is currently being managed as part of the councils wider pressure.

6.2.3. High needs block funding - this shows a overspend position of circa £6m. this is based on the projections provided by Newton as part of their review. We are optimistic that the overspend figure will be lower reflecting actions of the mitigation plan progressing. However at this stage of the financial year, we are not in a position to confirm that as most of the confirmation will not be known until the academic year.

6.2.4. Early Years – this figure has yet to be adjusted by the DfE for the partial implementation of the 9 months to 2 year strategy which commences in September. Also, the finalisation of the January 2024 data validation has not yet been completed which will impact on this funding (as well as the 2023/24 closure position).

**Table 7**

	Schools block (£m)	Central school services block (£m)	High needs block (£m)	Early years block (£m)	Total DSG allocation (£m)
Gross DSG	240.66	3.01	79.22	41.04	363.94
Academy Recoupment	- 72.54	-	- 0.44	-	- 72.98
After recoupment	168.12	3.01	78.79	41.04	290.96
Projected Outturn	168.12	3.01	84.79	41.04	296.96

**7. Other Grants**

7.1. At the time of writing, the Prime Minister has called a General Election for the

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4<sup>th</sup> July 2024. As a consequence, no further information on any other grants has been made available.

## **8. Financial implications**

- 8.1. At this stage there are no direct financial implications arising from this report, however the pressure on the high needs block remains of concern. As advised, mitigations plans are in place, in conjunction with Schools forum and DfE.
- 8.2. The report also noted schools with deficits – Lewisham Council is currently engaging with the schools to ensure robust Deficit Recovery Plans are in the process.

## **9. Legal implications**

- 9.1. There are no specific legal implication arising at this stage. It is to be noted that local authorities are obliged to publish annually a statement setting out details of its planned schools' budget and other expenditure on children's services, showing the amounts to be centrally retained and funding delegated to schools and after each financial year to publish a statement showing outturn expenditure.

## **10. Equalities implications**

- 10.1. At this stage there are no direct implications arising from this report, equalities impact will need to be considered as Lewisham progresses options towards mitigating an overspend position on the high needs block.

## **11. Climate change and environmental implications**

- 11.1. Not applicable

## **12. Crime and disorder implications**

- 12.1. Not applicable

## **13. Health and wellbeing implications**

- 13.1. Not applicable

### **Report author and contact**

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