



## Schools Forum

### **Report title: Dedicated Schools Grant (DSG) - Current Status**

(2021/22, 2022/23 & 2023/24)

**Date:** 20<sup>th</sup> October 2022

**Key decision:** No.

**Item number:** 5

### **Outline and recommendations**

*This report sets out the DSG position for*

- a. 2021/22 final position*
- b. 2022/23 updated DSG and forecast*
- c. 2023/24 initial headlines*

## **Timeline of engagement and decision-making**

This report is for information and guidance only.

Schools Forum to agree to receive regular updates at each meeting.

To note the potential pressure on the High Needs Block.

### **1. Summary**

- 1.1. The purpose of this report is to update Schools Forum on the Dedicated Schools Grant (DSG) for 2022/23 including an update on the final 2021/22 position. Plus to provide an initial view on the draft settlement provided in July for 2023/24.

### **2. Background**

- 2.1. Local Authorities in partnership with their Schools Forum and partners, including schools are required to operate all expenditure within the DSG allocation. Where this has not been the case there needs to be consideration on the impact on the allocation for the following year.
- 2.2. Overspends where they cannot be contained by first call on next year's budgets, will require submission by the Local Authority/Schools Forum of a formal mitigation plan to the DFE.
- 2.3. It should be noted that it is not permissible for the DSG to be subsidised by the General Fund.

### **3. DSG 2022/23**

- 3.1. The DSG for 2022/23 was provisionally announced in December 2021. DSG update is a standing item for each Schools Forum meeting.
- 3.2. The report confirms the 2022/23 DSG position revised as at July 2022 and now incorporates the final Early Years Position.

Table one below details the summary position for the DSG:-

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Table 1

**2022/23**

	Schools Block	Central Services Block	High Needs Block	Early Years Block	Total
	£m	£m	£m	£m	£m
<b>Gross</b>	221.1	3.7	70.2	24.5	319.4
<b>Net (after recoupment)</b>	177.3	3.7	69.6	24.5	275.1
<b>Internal adjustments</b>	-0.7		0.7		0.0
<b>Revised Funding</b>	176.6	3.7	70.3	24.5	275.1
<b>Forecast outturn</b>	176.9	4.4	75.3	24.5	281.2
<b>Surplus/Deficit</b>	-0.4	-0.7	-5.0	0.0	-6.1
<b>Supported by General Fund</b>		0.5			0.5
<b>Prior year applications</b>	0.4	0.2	1.0	0.0	1.6
<b>Net position</b>	0.0	0.0	-4.0	0.0	-4.0

- Schools Block is expected to be on target as the main funding has been allocated to schools as part of the APT process. Due to the increasing demand in our secondary schools it has been necessary to approve in year growth funding to support the demand.
- Central School Services Block (CSSB) – this has been supported by £500k from the General fund, plus £200k from prior year funds to support the cost. Therefore is expected to balance for this year.
- High Needs Block. The High Needs Block is anticipated to overspend by circa £5m, this is after the application of early years funding that was not clawed back - see later position.
- Early Years Block. The Early Years Block (Table 2) has been revised following the validation of the 2022 pupil data.

Table 2

EY Block 2021/22 - Provisional allocation		2021/22 Final Allocation	Spend in 2021/22	Net funding from DfE
£m		£m	£m	£m
2.23	2 YEAR OLD ENTITLEMENT	2.4	2.6	-0.27
0.39	3 & 4 YEAR OLD SUPPLEMENT	0.4	0.4	-0.01
1.01	EARLY YEARS QUALITY AND SUFFICIENCY TEAM	1.0	0.9	0.08
0.09	EY DISABILITY ACCESS FUND	0.0	0.0	-0.01
0.74	EY INCLUSION FUND	0.8	0.8	0.04
17.66	3 & 4 YEAR OLD ENTITLEMENT	17.2	17.1	0.05
0.74	EYS: DEPRIVATION	0.7	0.7	-0.03
0.09	EARLY YEARS PUPIL PREMIUM	0.1	0.1	0.03
0.44	EYS: CONTINGENCY	0.4	0.0	0.41
<b>23.40</b>		<b>22.9</b>	<b>22.6</b>	<b>0.29</b>
	<b>Prior year funds applied</b>		<b>1.0</b>	<b>1.0</b>

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	<b>Targeted high needs (early years)</b>				<b>-1.0</b>
	<b>Contingency</b>			<b>1%</b>	<b>0.32</b>

Table 3

EY EHCPs	EY settings	Primary	Secondary	Post-secondary	Total
2022/23 August	86	1233	1107	732	3158
Percentage	3%	39%	35%	23%	100%

Table 2 shows the spend versus allocation. It should be noted that the 21/22 final position was not clawback but additional funding of circa £290k, recognising the pressure on the high needs block. It is also noted (Table 3) that at August 2022 approxiamtely 86 EHCP are funded from the High Needs Block. Noting the pressure on the High Needs Block the EY setting cost of EHCP should be funded from the 2021/22 balance.

- 3.3. High Needs will remain a standing item at the Schools Forum meetings. As noted above, there is currently a pressure of £5m which can in part be mitigated by the £1m as described above. The Department for Education (DfE) is implementing intervention in 89 LAs to support them to cut their spending on pupils with special educational needs and disabilities. 34 councils with larger deficits will receive "safety valve agreements". 55 LAs (including Lewisham) with substantial deficits will receive "delivering better value" (DBV) process. This will be delivered in three tranches, organised largely according to deficit level. Lewisham will be in the 3<sup>rd</sup> tranche expected to commence from March 2023 onwards. Consultants (Newton) have been appointed by the DfE to work with Lewisham on this and we are at the early data sharing stage. This is effectively a Deficit Recovery Plan.

#### 4. 2023/24 funding

- 4.1. In July 2022, the DfE published headline information on the 2023/24 funding settlement. It should be noted that this remains provisional as the final position will not be known until late December. Also recognising the wider economic position, it is possible that this funding may be revised.
- 4.2. **Schools Block** – table below shows the anticipated schools block funding. This illustrates the circa 4% increases demonstrated in the press releases.
- 4.3. Some caveats that need to be noted include
- Figures will change once the final pupil count is known. The 2022/23 per pupil does not include the supplementary funding but the 2023/24 figure does. This is technically therefore not new money on cash basis.
  - In 2022/23, the DfE awarded £6m for Supplementary Funding. The main purpose of this funding was to support the 1.25% uplift in social care (national insurance) levy. Following change in Prime Minister (and Cabinet), an emergency budget was announced which has now scrapped the 1.25% levy (on both sides, being employer and employee) from 6<sup>th</sup> November. It is therefore unclear what will happen to this funding – will it continue to be rolled into the DSG as planned per above figures? Will

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it be redirected to support other pressures in schools?.

- Suggested increase of £1.4m in premises costs. From the data provided there is lack of clarity as to whether this is for National Non-Domestic Rates (NNDR) (in which case, money is 'in and out') and split site changes proposed and how this works with the private finance initiative (PFI) factor (historically increased with Retail Price Index (RPI) - i.e. inflation).
  - At the time of writing, the pay award has not been finalised. Initial increases advised by the pay review body of circa 3% from upper pay scales onwards was deemed affordable. The new offer of 5% is not deemed affordable. Potentially there may be some support. The initial funding allocations announced per table 4 could therefore be outdated in light of such changes.

Table 4

4.4. **Central Schools Services Block** – Schools Forum will recall that previously the DfE had advised the abolition of the CSSB from 2023/24. The expectation was that the historic duties element would cease, with the on-going element being potentially revised and transferred to the wider councils revenue support grant. Based on the summer settlement (provisional), this now appears not to be the case. The CSSB remains for 2023/24, however the historic element continues to be abated by 20%. Table below shows the provisional allocation. Please note that the pupil led element is for ongoing duties (e.g. admissions) and if pupil numbers remain constant there is a marginal increase of circa £32k. The historic baseline figure will however reduce by £405k. Please note that the majority of spend within this area is staffing. Depending on the final pay award settlement for this year and next, this could potentially place a wider pressure.

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## CSSB

	2022/23	2023/24	Difference
	£m	£m	£m
Historic Baseline	2.025	1.620	-0.405
Pupil Led	1.668	1.700	0.032
Net position	3.693	3.320	-0.373

- 4.5. **High Needs Block** – as before the provisional allocation is based on the current funding level. The final settlement will vary dependent on pupil data in particular pupil numbers within our specialist provisions.
- 4.6. It is important to note that on a relative basis the increase in funding, whilst welcomed, is anticipated to be lower than the last 3 years which has seen circa 8% increase in funding ie. £5m. The lower level increase will continue to have an pressure on the budget, which will be taken into account within the DfE DBV programme.

### High Needs Block

	£m
2022/23	69.63
2023/24	73.50
	3.87
	5.6%

- 4.7. **Early Years Block** – the early years block is not included in the partial settlement. However, during the summer, a consultation was undertaken by the DfE on the overall funding settlement. The main caveat was that whilst the review focussed mainly on updating more recent data sets, the overall funding envelope from the DfE perspective, was not changed. This meant that gains were capped and effectively funded from lower anticipated demand nationally. The main headlines are potential increase of 12p in our received hourly rate from £5.93 to £6.04 –and the supplementary factor will remain, potentially increasing from £420k to £470k. Similarly the 2 year old funding received by the LA is expected to increase from £6.87 to £7.46, i.e 49p increase.
- 4.8. The figures for Early Years need to be taken with extreme caution as these are derived from a consultation response, NOT a draft settlement.
- 4.9. **Overall caveat** - As stated all information relating to 2023/24 remains provisional. Ordinarily the unit values would be noted as confirmed, however following the emergency “mini budget” and subsequent announcements, now suggests reversal of social care levy and thus removal of the associated supplementary grant funding from next year, which is factored into the 2023/24. Also the requirements now placed on all government departments potentially jeopardises additional funding support for the pay awards.

## 5. Financial implications

- 5.1. The report confirms the 2021/22 final , 2022/23 projected position and a draft 2023/24 position. Early years is not part of the draft settlement.
- 5.2. All figures for future years must be taken with caution as they are subject to finalisation

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of data.

- 5.3. The report reconfirms the anticipated overspend position for High Needs which is currently being reviewed. The application of the £1m to support EY spend within the High Needs Block will assist reducing the cumulative deficit position. The report also notes a lower settlement in future years which could place additional pressure on the high needs block. It remains a requirement for Lewisham in partnership with Schools Forum, to operate within the DSG.
- 5.4. The report confirms the requirement from the DfE towards a Delivering Better Value programme – this is effectively a Deficit Recovery Plan
- 5.5. The report notes positive news with regards to both the CSSB and the EY block

## **6. Legal implications**

- 6.1. There are no specific legal implications arising from this report.

## **7. Equalities implications**

- 7.1. 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 positions on funding blocks within the DSG.

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

- 8.1. Not applicable

## **9. Crime and disorder implications**

- 9.1. Not applicable

## **10. Health and wellbeing implications**

- 10.1. Not applicable

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