



## Schools Forum

**Report title: DSG Update including 2022/23 Final Early Years Position, 2023/24 Updated DSG Position and Headline Information for 2024/25**

**Date:** 19<sup>th</sup> October 2023

**Key decision:** No.

**Item number:** 11

### **Outline and recommendations**

*2022/23 DSG - report provides an update of the final EY block position and recommends the use of the surplus circa £800k to support Inclusion fund (Early Years) £0.2m and High Needs Block £400k, to support the additional cost of EHCP pressure on high needs. The figure is based on the 2022/23 actual position of circa £0.4m. **Decision required.***

*2023/24 -the report provides an updated DSG allocation position, following the 2022/23 Early Years data validation process with a forecast spend position. **For information***

*2024/25 – Headline updates with regards 2024/25 funding. **For information***

## Timeline of engagement and decision-making

### 2022/23 Final Early Years Block Position

Schools forum is asked to support the use of 2022/23 surplus (following DfE confirmation £800k), relating to the Early Years Block - to provide targeted support on:-

A - the inclusion fund £200k -following agenda item 10 presented by Head of Early Years.

B – support of the High Needs Block in recognition of the pressure arising from EHCP support for pupils of EY based on 2022/23 actual of £365k. Following from Agenda Item 8, which will note the pressure on the High Needs Block with particular concern relating to EY.

### 2023/24 DSG projected spend position – recognising a potential pressure on the:

A – Central Schools Services Block – following on from the year on year abatement, there is expected to be a pressure on the CSSB which is being supported by corporate funds. As such the projection shown is balanced to allocation.

B - High Needs Block – awaiting data at present, projection of £5m noted as previous years. Anticipating some reduction following mitigation plan however HNB remains under pressure due to rising EHCP (in particular EY phase pupils).

C – EY block – pressure arising on the inclusion fund following demand in take up.

**2024/25 DSG** – headlines from the partial settlement including updates on engagement with School Business Managers, Governors and Headteachers. Provides update on the teachers pay settlement and supporting grant (Teachers Pay Additional Grant).

**Report was drafted pre notification from DfE of the error announced on the 6<sup>th</sup> October 2023, confirming the need for DfE to re-issue 2024/25 draft settlement. Based on initial calculations (assuming the error only applies to school's block), there is a potential reduction of £1.5m to £2m in our overall funding. Each school will be impacted differently based on the pupil characteristics. Equally the overall affordability on the 0.5% MFG could be compromised – we don't know now until the formal settlement in December what the position is on our overall settlement. As part of that process and submission to DfE we will provide an update accordingly.**

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## Summary

1. Purpose of this report is to provide Schools Forum with an update on the
  - a. 2022/23 final position with regards to the Early Years Block including recommendations for Schools Forum to consider.
  - b. 2023/24 -Update position of the DSG following the revision of the Early Years Block.
  - c. 2024/25 DSG, following on from the partial settlement, the report provides headline information for Schools Forum to note including an updated position for the 2023 teachers pay award and its potential funding support / implications.

## DEDICATED SCHOOLS GRANT

### 2022/23 - Final Settlement

2. Following the finalisation of the Early Years Pupil Data, the DfE has revised the final settlement for 2023/24 as confirmed in table 1 below. The DfE has applied a clawback of £800k. Schools Forum will recall the “underspend” in 2022/23 was £1.6m. This leaves a remaining £800k for discussion.

Table 1	£m
Schools Block	221.1
Central Schools Services Block	3.7
High Needs Block	70.1
Early Years Block	23.7
Gross DSG	318.6

3. Overall the validation of 2022/23 has noted a significant reduction in pupil numbers taking up the entitlement for the Early Years offer, circa 2% for 3 and 4 year olds and 9% for 2 year olds. This has been reflected in the funding for 2023/24, which has seen an overall reduction in funding of £1.4m, again this remains provisional until the January 2024 count.
4. Table 2 shows the final 2022/23, v draft (December settlement) v updated 2023/24 for early years. Initially we were expecting an increase of £2.6m, this has now been reduced to £1.1m.

Table 2

2022/23	£23,727,146
2023/24 draft	£26,282,973
2023/24 updated	£24,844,501
movement from 2022/23	£1,117,355
movement from draft 2023/24	-£1,438,472

5. Most of the reduction would be mitigated by lower allocations to providers, this will however have implications for budgets centrally managed by the LA; budgets which are derived as agreed percentages from actual take up. The financial impact of which is £0.1m.
6. There is a separate report elsewhere on the agenda which notes an expected pressure on the EY inclusion funding of approximately £0.2m. Plus pressure on the HNB circa £0.4m to

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## 2023/24 DSG Allocation

7. The 2023/24 Dedicated Schools Grant (DSG) grant allocation was advised by the Department for Education (DfE) in December 2022 and reported to Schools Forum at the January 2023 meeting. The information provided at that time was the gross figure before academy recoupment and before the finalisation of the EY block.
8. Recoupment and high needs adjustment - table 3 below shows the projected outturn position for the DSG for 2023/24 against the funding now available, including revision of the Early Years Block.

**Table 3 – DSG projected outturn 2023/24**

<b>DSG Projected Outturn</b>	<b>Schools Block</b>	<b>Central Schools Services Block</b>	<b>High Needs Block</b>	<b>Early Years Block</b>	<b>Total DSG Allocation</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Gross Budget	231.0	3.3	76.9	26.3	337.5
In Year Virement	(0.7)	0.0	0.7	0.0	0.0
ESFA Holdback	(47.5)	0.0	(0.4)	0.0	(47.9)
<b>DSG Budget</b>	<b>182.8</b>	<b>3.3</b>	<b>77.2</b>	<b>26.3</b>	<b>289.6</b>
Expenditure	182.8	3.3	82.2	26.6	294.6
<b>Variance</b>	<b>0.0</b>	<b>0.0</b>	<b>5.0</b>	<b>0.3</b>	<b>5.3</b>

9. **Schools Block:** £0.7m has been agreed with schools forum to be transferred to support the high needs block and is shown as an in year virement.
10. **Central School Services Block:** A balanced position is shown however there has been a reduction in funding nationally over the past 3 years, the figure has been abated by 20% year on year. There is potential pressure in the region of £900k which is resulting from the reduction in grant funding, however that is expected to be supported corporately and is therefore not shown in the above figures.
11. **High Needs Block:** High Needs continues to show a pressure against the available funding. Lewisham has been progressing a mitigation plan and is now working with the DfE as part of the Delivering Better Value initiative. Schools forum has agreed a transfer of £0.7m to support the pressure, however the increase both in demand and inflationary pressures continue to prove challenging. Increased places in many schools including Drumbeat, Watergate and Greenvale have been completed or are near completion, and will provide some welcomed capacity. The Resource Base expansion is also progressing well. Detailed update is provided elsewhere on this Agenda with regards high needs. One key area to note is the increase pressure in Early Years arising from EHCP. At the time of writing the full effect of the new academic year is not finalised. We are estimating a pressure of circa £5m in line with

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previous years. This could reduce based on the actions embedding, regarding the mitigations being undertaken. Equally there are emerging challenges including continuous pressure on the number of ECHP's, price inflation, severity of needs, to mention some. As stated, one major concern is EY cohort, especially as the DfE extends the Early Years offer over the next few years. Table below shows that by age, relative to March 2023, there has been a net increase of 58 EHCP's. Of these, 35 have been within the Early Years Phase.

		Mar-23	Apr-23	May-23	Jun-23	Jul-23		movement
<b>Age Breakdown</b>	<b>Under 5s</b>	68	82	86	93	103		35
	<b>Primary</b>	1263	1269	1276	1295	1298		35
	<b>Secondary</b>	1219	1222	1224	1228	1229		10
	<b>Post-secondary</b>	883	881	875	871	861		-22
	<b>Grand Total</b>	<b>3433</b>	<b>3454</b>	<b>3461</b>	<b>3487</b>	<b>3491</b>		<b>58</b>

### Early Years Block:

12. The Early Years Block remains provisional until the validation of the January 2024 census, which is likely to be around summer 2024.
13. Schools Forum will be aware of the wide changes to the childcare offer including the extension to, 9 months to 5 years. Over the Summer a consultation took place which suggested that the funding for EY expansion will be mapped to the current model of funding. This is not positive for Lewisham as we are one of the lowest funded councils in Inner London.
14. Copy of the consultation response is attached for your information. Appendix A
15. See Appendix B for detail on EY funding between 2022/23 and 2023/24.
16. To support Early Years Providers, the DfE has agreed additional funding in the form of EY supplementary grant. The table below shows the revised rates for 2023/24 - including associated funding streams.

	Funding Per Term 2023/24			How the hourly rate will be funded	
	Summer 2023	Autumn 2023	Spring 2024	Early Years National Funding Formula	Early Years Supplementary Grant
<b>3 &amp; 4 Year Old Entitlement</b>	<b>£5.40</b>	<b>£5.99</b>	<b>£5.99</b>	<b>£5.40</b>	<b>£0.59</b>
<b>2 Year Old Entitlement</b>	<b>£6.78</b>	<b>£9.22</b>	<b>£9.22</b>	<b>£6.78</b>	<b>£2.44</b>

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17. There will also be increases in:-

The early years pupil premium (EYPP), this is expected to be at 4p per hour (currently 62p per hour from the Dedicated Schools Grant)

The Disability Access Funding (DAF), this is expected to increase to £30.92, funded from EYSG (building on the current £828 funded from the Dedicated Schools Grant).

### **Teachers Pay Grant (additional funding - New Grant)**

18. The DfE position is that all schools should be able to meet the first 3.5% of the teachers pay award from within their specific delegated budgets. The grant is expected to support 3%. Both the main funding and the Teachers Pay grant are method based and as such schools will benefit at varying degrees. For example a school with higher than average spend on teaching will likely receive a lower percentage of their spend in the form of grant.
19. There is reference to suggest additional funding for EY providers for Teachers Pay Additional Grant, however no further information has been provided.

### **2024/25 DSG - Partial Settlement**

20. In line with previous years, the DfE has provided each Local Authority with their Partial Settlement. i.e the funding values that Local Authorities can receive and also individual schools.
21. The settlement is known as “partial” as the final will not be known until December pending October 2023 census. As such the final settlement will be updated for changes in demographics and characteristics e.g pupil numbers, FSM, EAL etc.
22. As previous the Early Years Block remains provisional following Jan 2024 data cleansing.
23. With respect to 2024/25, the key points to note are as follows –there is a slide pack attached which has been presented to School Business Managers, Headteachers and Governors. The content of this has also been shared as part of the schools weekly newsletter.

### **Schools Block**

24. With regards to the Schools Block :-

- Mainstream Schools Additional Grant – will be rolled into the main schools block. This is not new money and needs to be subtracted to enable comparison.
- Based on the limited information received, we are able to suggest that the overall increase in funding to Lewisham is in the region of 2.1%, of this 0.4% relates to premises related including split sites and PFI factor. The balance of 1.7% relates to all other factors (as a basket of factors).
- Growth Fund has not yet been confirmed and could impact on the overall affordability.
- MFG uplift will be between 0% to 0.5%, so broadly speaking flatlined
- With regards pressures in schools, key areas remain:-
  - Teachers Pay award - DfE has provided a specific grant known as Teachers Pay Additional Grant. DfE has suggested that this should cover approximately 3% of the teachers pay award. As with all funding,

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- this will be distributed in line with nationally agreed formula and will vary school by school as to the actual percentage support schools receive. The other complexity remains in that schools with higher than average costs are likely to have a larger drift (i.e not funded). 3.5% of the pay award is expected to be met from the increase in delegated funding. once again, each schools position will vary depending on the funding they attract based on the NFF and their local characteristics.
- MFG transitional support – Schools with MFG transitional support need to be more cautious, as increase in funding could potentially mean a fall out of the MFG transitional support, as such the real cash increase for some schools will be offset.
- At the time of writing, the non teachers pay award has not been agreed. The employer offer remains at £2,355 (i.e circa £3200 with oncost). There is no additional grant to support this pressure.
- Schools continue to face challenges arising from the impact of “cost of living” – inflation; including utility costs and uplift on other contracts.

## High Needs Block

25. The provisional high needs block settlement suggests an increase of circa £2.38m. As with the schools block, the figures will be revised based on the October census and SEN returns. Pressure at present is circa £5m. this could potentially reduce due to mitigation plans and equally see further pressure based on emerging needs/demands as discussed previously in the report.

	Pupil numbers	£	£m		
Baseline (funding floors/ceilings)			74.9		
basic entitlement	1134	5646	6.4		
import /export	-493	6000	-3.0		
New schools			0.0		
import /export adjustment			-2.9		
Hospital and historic TPPG			0.4		
Provisional figure for 2024/25			78.8	sum of the blue item	
2023/24 funding			76.4		
<b>Increase in funding</b>			<b>2.38</b>		
			3%		

## Central Schools Service Block

26. In line with DfE policy, the CSSB is expected to continue to reduce by a further circa £0.3m. At present, this is being considered as part of wider corporate considerations.

## Early Years Block

27. The EY block was not covered as part of the partial settlement.

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## Recommendation

28. Schools Forum is asked to approve the application of the £800k 2022/23 unclawed funding to:-
- Support the expected overspend on the Inclusion fund of £0.2m.
  - Support the High Needs Block pressure arising from new EHCP's in the EY phase. In 2022/23 the total cost of EY – EHCP was £0.4m, we anticipate a similar position for 2023/24 (potentially higher, cost will vary depending on severity of need). Between March and July there was an overall increase in EHCP of 58, of these, 35 related to EY. It is proposed that £600k support the cost of EY in HNB.
  - Schools Forum should further note that the extension of the EY offer will require embedding support from the Local Authority. As far as possible, it is anticipated that the implementation can be delivered within existing resources supported by additional grant from DfE. At this stage we don't know the value of the grant. Schools Forum will be updated as necessary.
29. Schools Forum is further asked to note that in partnership with Lewisham, there is a duty to operate within the overall funding levels.
- The funding is "once off" as it relates to residue from 2022/23. It should be noted that the proposals support funding is targeted towards EY phase.
30. Schools forum is further asked to note the 2023/24 forecast position and also the 2024/25 partial settlement.

## Financial implications

31. This report recognises that the DSG continues to face pressure mainly in the High Needs Block. The report further notes that Lewisham is currently working with the DfE as part of its Delivering Better Value intervention measures (largely influenced by the Mitigation Plan) which has now been progressing for approximately 4 years.
32. It is estimated that the overspend on the HNB for this year could potentially be circa £5m; although mitigations arising from expansions of in house provision, may reduce this.
- The report recognises emerging pressure arising from Early Years and notifies of possible pressures arising as the Government policy to further expand the EY childcare offer. Circa £365k of cost in 2022/23 related to EY age pupils,
33. This report notes that 2022/23, following the validation of the pupil data, the overall position was that the EY numbers are down. There is a one off balance remaining of circa £800k.
- The report further recognises pressure on the inclusion fund of circa £300k.
34. The High Needs Block and Central Schools Services Block both also remain areas of concern and review, to consider longer term sustainability. As stated, work has been progressing on both areas as part of wider strategic reviews.

## Legal implications

35. There are no specific legal implications arising at this stage.

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## **Equalities implications**

36. 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 and Early Years Block .

## **Climate change and environmental implications**

37. Not applicable

## **Crime and disorder implications**

38. Not applicable

## **Health and wellbeing implications**

39. Not applicable

### **Report author and contact**

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