

# Southend-on-Sea Borough Council

Executive Director of Finance and Resources  
Executive Director of Children and Public Health

To  
**Education Board**

On  
**18<sup>th</sup> October 2022**

Agenda  
Item No.

Report prepared by:  
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In consultation with:  
Resources Sub Group

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## Dedicated School Grant (DSG) 2023/24 budget planning and 2022/23 budget update

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### **1 Purpose of Report**

- 1.1 To update the Education Board (EB) on DSG budget planning for 2023/24 following the Department for Education (DfE) July 2022 School funding announcements.
- 1.2 To seek to agree a decision in principle with regard to the setting of our local 2023/24 Individual School Block funding allocations per pupil but also in view of restricted revisions of any such changes to the formulae as now administered through the National Funding Formulae (NFF).
- 1.3 To update the EB on the latest DSG budget for 2021/22 following the applied annual DfE July 2022 funding update changes.

### **2 Recommendations**

Education Board are asked to agree:

- 2.1 With regard to individual school's budget (ISB) planning for 2023/24, to continue on the trajectory of adopting the principles of the National Funding Formulae (NFF). (As referenced in 5.1 through to 5.5). And therefore;
  - 2.1.1 Any mainstream school that attracts their core NFF pupil led funding factors (i.e. with no need for Minimum Funding Guarantee (MFG) funding floor protections to be applied), to receive the full NFF applied rates as laid out in 5.2.2.
  - 2.1.2 And all remaining mainstream schools whose per 2023/24 per pupil led funding rates are either above the revised NFF mandatory 2023/24

minimum funding amounts per pupil or core NFF funding rate per pupil as referenced in 2.1.1, will receive the same maximum NFF built in allowance of 0.5% uplift per pupil.

- 2.2 Raise at a national level, that a maximum 2023/24 0.5% uplift per pupil for those schools not attracting their core underlying NFF allocations is a very low uplift from 2022/23, and with particular consideration to significant inflationary pressures for all Schools.
- 2.3 And the Education Board are asked to simply note, the remaining considerations of this paper at this stage of planning the DSG for 2023/24.

### **3 Background**

#### **2022/23**

- 3.1 The updated DSG budget for 2022/23 follows the annual July 2022 release from the DfE of the latest 2022/23 DSG funding block allocations at a Local Authority (LA) level, where funding changes have been applied to both the High Needs block and Early Years.

#### **2023/24**

- 3.2 The DSG budget planning for 2023/24 follows the DfE's July 2022 release of the "Schools revenue funding 2023 to 2024 operational guide" and indicative 2023/24 national funding allocations for the Schools Block, High Needs Block and Central Block. All of which are used to help guide LA's and their Schools Forums/Education Boards to plan local implementation of Dedicated School Grant funds.
- 3.3 The Government have continued to re-affirm their position of intention to move to a Hard NFF, whereby individual school budgets would be set through one single national formula rather than local funding formulae. In July 2021, the DfE published a consultation on proposals for completing these funding reforms, which also proposes that from 2023 to 2024 all local authorities will be required to bring their own formulae closer to the single national formula to smooth the transition. In June 2022, the DfE published a further consultation on implementing the Direct NFF with view to more technical aspects of School Block funds, including split site criteria, growth funding, notional SEND budgets in mainstream schools and transfer to High Needs blocks.
- 3.4 In terms of the NFF funding formulae itself, it must be noted and continually commended that our own LA and Education Board has positioned itself well over the last six years to align our School DSG resources to the principles of the NFF (which started in 2017/18) and support those principles, it therefore would now simply make no sense and dispute school budget planning to move away from these principles. 2023 to 2024 is therefore now the sixth year of the NFF reforms and is the funding basis for setting individual school block allocations. It does however still remain a local decision with the agreement of School Forum on the final school per pupil rates set at an individual school level (within minimum guarantee protections) with the exception now of the minimum per

pupil funding rates which is a mandatory funding factor, there is also however, now very limited options to be able to deviate away from those principles and given the built in NFF Minimum funding guarantee protections. The DfE have also stated the intention is the NFF for mainstream schools is fully implemented across all Local Authorities by the 2027-28 funding year, and it is hoped it is moved to sooner than that, not later.

3.5 In July 2022, The DfE also published a separate consultation on the Early Years Funding Formulae including proposing changes to some of the underlying data capturing additional needs using more recent data sets.

3.6 And as agreed under delegated authority of the Education Board to the Resource Sub Group (RSG), the RSG has responded to all recent DfE funding consultations, with the respective representation for each of the funding matters through DSG.

3.7 In relation to the Central Block and Historic Commitments, the DfE for 2023/24 have reaffirmed the position of unwinding 20% of funding from the previous years base line.

#### **4 Dedicated Schools Grant 2023/24 budget planning and 2022/23 budget update**

##### **Foreword**

4.1 In July 2022, as part of the indicative 2023/24 release the DfE released a statement at a national level, "Overall, core schools funding (including funding for mainstream schools and high needs) is increased by £1.5 billion in 2023 to 2024 compared with the previous year, on top of the £4 billion increase in 2022 to 20223". but we must remain minded on a national basis this is on the back drop of significant national pressures on high needs funding, schools that have been struggling financially alongside further and inflationary pressures effecting all schools including staff pay award increases.

4.2 The 2023/24 indicative DSG funding allocations at a total local level are presented alongside the detail of the latest 2022/23 Budget allocations as shown in "Appendix 1 – DSG Latest 2022/23 budget and Indicative budget 2023/24". The DfE total funding allocation for 2022/23 DSG resources is now £178.471M and the total indicative 2023/24 allocation is £186.254M. This represents a total indicative increase of £7.784M\* from 2022/23 applied across the Schools Block of £5.960M, of which £4.079M is the previous 2022/23 supplementary grant paid outside of the DSG now included in the DSG, High Needs block of £1.896M and a net reduction of (£0.072M) to the Central Block.

£7.784M\* – note for the purpose of illustration both the 2023/24 Schools block Growth Fund and Early Years block funding are considered to remain at the current 2022/23 allocation, as neither are updated under July 2022 indicative allocations. Both, are expected to be updated in December 2022.

4.3 All the applicable changes to the updated 2022/23 DSG budget, and basis of the indicative 2023/24 budget allocations are explained within each DSG block of this paper.

## **5 Schools Block – Individual School Block (ISB) allocations 2023/24**

- 5.1 The 2023/24 indicative DfE allocations published contain the actual 2023/24 primary unit of funding (PUF) and secondary unit of funding (SUF) that the DfE will use to calculate each LA's final school block allocation. And as repeated annually, they will then also issue the updated and final total 2023/24 school block funding allocations in December 2022 based on the latest pupils numbers and adjusted funding factors recorded through the October 2022 school census.
- 5.2 The following are the key headlines related to mainstream school funding for 2023/24 released by the DfE in July 2022:
- 5.2.1 The minimum per pupil levels will be set at £4,405 for primary schools (£4,265 in 2022/23) and for secondary schools £5,715 (£5,525 in 2022/23), both with an equivalent circa 0.5% increase from 2022/23, as the 2022/23 supplementary grant paid outside of the DSG has now been built directly into the DSG minimum amounts per pupil for 2023/24. And to simply remind from 2020/21 the minimum amounts per pupil are also now a mandatory funding factor, and these are set as a fixed amount.
  - 5.2.2 Where schools are attracting their underlying core NFF allocations, the NFF has built in an increase of circa 2.4% from the 2022/23 Pupil led funding factors: basic entitlement, and lump sum. Funding for disadvantaged pupils will see greater increases, with funding for two deprivation factors in the NFF increasing by a greater amount than other factors. These two factors (the FSM6 factor and the IDACI factor) will increase by 4.3% compared with their 2022 to 2023 values.
  - 5.2.3 And for those Schools whose per pupil led funding rate is already above both 5.2.1 and 5.2.2, the NFF funding floor per pupil led rate has been set at a maximum 0.5% increase from their 2022/23 per pupil led base line.
  - 5.2.4 And for further clarity, the 2022 to 2023 schools supplementary grant has now been rolled in the schools DSG NFF for 2023 to 2024, so the % increases quoted above are adjusted for this and therefore reflect the % increase amount on top of that grant continuing.
  - 5.2.5 The per pupil led Minimum MFG (Minimum Funding Guarantee) protection from 2022/23, can be set between a +0.0% and + 0.5% per pupil.
  - 5.2.6 LAs continue to be able to propose a transfer up to 0.5% from their schools block to other DSG blocks with school forum approval. And a disapplication request to the DfE continues to be required for any transfer request above 0.5% or any amount without school forum approval.
  - 5.2.7 There are now significant restrictions in place to be able to move away from any of the principles above. Local Authorities under local formulae who have not been following NFF Core funding factors (excluding the mandatory minimum amount per pupil), in 2023 to 2024 must now move their factors 10% closer to the NFF Values. To now move away from any of these principles above, would also require a disapplication request to

the DfE (to be approved by the secretary of state). It does therefore make it very unlikely any proposed changes would now be approved.

- 5.3 From a local perspective, given that our local Education Board has been a strong adopter from the start of the NFF reforms (from 2017/18, 6 years ago) and effectively we are Local Authority that has mirrored the NFF for mainstream schools, and that the government's strong intention remains to move to a single 'hard' national funding formula to determine every school's budget, there is therefore no foreseeable reason why our EB on a technical and strategic reason would now choose to try and move away from these NFF principles. Whilst, it has to be recognised a minimum 0.5% increase per pupil from the 2022/23 base line is unfortunately a low % uplift considering current inflationary pressures, and we remain minded it is for those schools that are above the minimum amounts per pupil or their core NFF funded amount (where greater funding increases can be gained) that receive the 0.5%, limitations are also very restrictive to now be able to deviate away from these principles and without impacting funding for another school to remain affordable within the overall School block funding allocation. Any deviation will also require disapplication approval.
- 5.4 It is therefore recommended (excluding the minimum funding amounts per pupil which is a compulsory factor regardless), that for 2023/24 the Education Board continue to fully adopt the principles of the NFF as listed in 5.2.1 to 5.2.3.
- 5.5 In view of the recommendation of 5.4, using the 2022/23 School block data set, the illustrative 2023/24 school level per pupil led rates are shown in Appendix 2 including a % increase comparison to their 2022/23 base line. It must remain caveated that with regard to the applied 2023/24 increases on the core underlying NFF funding rates and in accordance with the annual funding cycle, it will only be possible to know the actual final per pupil led rate for those applicable schools once the DfE have released in late December 2022 the updated School Block data set for 2023/24 (which is based on the October 2022 school census). **And please note** - the then actual final 2023/24 individual school allocations will be subsequently shown in the January 2023 EB DSG paper which will include the updated numbers of pupils on roll at each school (based on the DfE's October 2022 census) multiplied by these now proposed 2023/24 per pupil led funding rates to form the final 2023/24 funding allocations.

## **6 Schools Block – Centrally retained 2023/24**

6.1 The following is the key headline, released by the DfE in relation to the growth fund for 2023/24;

6.1.1 For 2023 to 2024, growth funding will be calculated using the same methodology as in 2022 to 2023, based on the growth in pupil numbers between the October 2021 and October 2022 censuses.

6.2 The 2023 to 2024 actual DfE DSG growth funding amount won't be known until December 2022 once the DfE have processed the differences between the two October censuses.

6.3 For Southend, in 2023/24 we can therefore continue on our approved principles administering Growth funding locally, whilst we await the outcome of the recent NFF consultation which include any potential changes to the administration of growth funding locally. And therefore to remind our local principles currently follow:

6.3.1 The March 2019 EB DSG Growth paper. Where Southend has an affordable funding plan to support growth to schools over the life of the expected growth within the funding available and includes declared minimum funding rates which can be set as necessary.

6.3.2 And as per the timings of announcements as agreed in the December 2019 EB DSG budget planning paper, final growth rates for 2023/24 will be declared in the January 2023 EB DSG budget paper (so once the final funding DfE allocations are known for 2023/24), alongside any potential and affordable increase adjustment for the rates currently applied in 2022/23.

## **7 Schools Block – De-delegated 2023/24**

7.1 In accordance with the annual funding cycle, any proposed amounts for 2023/24 de-delegation consideration (Voting rights maintained schools only), will be presented to the EB in the December 2022 EB DSG paper. And it remains minded, the only current approved funding item for delegation in 2022/23 is staff cost public duties claims allowing further buy in from Academy schools to support and therefore also be eligible for those claims.

## **8 Early Years Block**

### **2022/23 Budget Update (and 2021/22 Final Budget allocation)**

- 8.1 The DfE have now returned to the traditional annual cycle updating funding allocation relating to Early Years, following a change in process during 2021/22 due to Covid-19.
- 8.2 Therefore, as repeated on a traditional annual basis, the DfE announced in July 2022 the results of the Early Years January 2022 census, which not only adjusts and updated the funding applied to the early years DSG resource for the last financial year 2021/22 to a now final 2021/22 funding allocation, but also forms the basis of a revised indicated allocation for the current 2022/23 financial year and 2023/24.
- 8.3 The 2022/23 updated budget for Early Years is displayed in Appendix 3, the results of 2022/23 updated budget (following the January 2022 census), have displayed a very small (0.9%) reduction in the current take up of 3&4 year old universal offer, but with higher increases of both the 3&4 additional extended entitlement offer with an 8.6% increase and Early Years pupil premium of a 25.6% increase. The take up of 2 year old eligibility offer, has also increased by 9.1%. Whilst, it is positive to see increases in both the 3&4 year old additional extended entitlement offer and 2 year old eligibility take up, it obviously highlights that more families are falling eligible for pupil premium support.
- 8.4 The final DfE funding adjustment to the Early Years budget for 2021/22 reflecting the movements as shared in Appendix 3 has resulted in a further total £61,000 attributable to our Local Early Years DSG funding for 2021/22. This one off sum will naturally fall to further support the Early Year DSG reserve balance and can be used with the agreed conditional use of DSG reserve balances for Early Years.

### **2023/24 Budget Planning**

- 8.5 In view of the recent DfE Early Years funding formula consultation, the DfE did include indicative hourly rates which does show some modest funding increases in view of their proposals. However, in view that this was a consultation document it is not advised to share these currently until formally announced, which is expected over the Autumn term and from which Local Authorities and through our Education Board can model and recommend effective funding rates for 2023/24. It is hoped, the DfE will release this information in time for the December 2022 Education Board, if not, it will need to be deferred to the January 2023 Education Board.

## 9 High Needs Block

### 2022/23 Budget Update

- 9.1 The High Needs Block DSG budget has now been adjusted following the DfE's annual 'import and export adjustment\*' announced in July 2022, and it has confirmed this has increased our High Needs Blocks funds by a further £66,000 to now £28.831M as there has been a net increase of 11 pupils from other local authorities home based pupils from 2021/22.
- 9.2 In July 2022, the DfE also announced a further increased recoupment funding adjustment now deducting 6 places (of the 50) for 6 Southend pupils placed at the YMCA AP free school (was 5). Equivalent £60,000 per academic year (£10,000 per annum per place fund). This, in turn means a very small reduction of (£5,834) in our locally High Need block funds held.
- 9.3 In terms of overall funding allocations neither of these adjustments are financially material compared to the total funding of the high needs block, and there is therefore no impact on overall current service allocations as displayed in the June 2022 EB DSG High Needs paper for 2022/23. These funding adjustments will therefore by default simply fall to "balance held aside from service provision to support any in year high need funding pressures", increasing that balance by £60,166.

'import and export adjustment\*' - relates to a DfE defined in year High Need funding adjustment compiled from the latest January school census and RO6 Individualised learner record. Whereby a local authority's high needs block funding allocation is compensated if there is a net import increase from the previous year due to more other local authority home based pupils placed in their area, or alternatively reduced if there is a net export increase from the previous year if more local authority home based pupils are placed in another local authority area. Southend's 2022/23 High Need block allocation has therefore increased by a further £66k (£6,000 per pupil for 11 pupils), due to a now overall revised net import of 70 pupils, compared to a net import of 59 pupils for the previous year.

### 2023/24 Budget Planning

- 9.4 The following is the key headlines, released by the DfE in relation to High needs funding for 2023/24:
- 9.4.1 The funding floor – this ensures that all local authorities' allocations per head of child population will increase by a minimum percentage compared to the baseline. For 2023-24 we are setting the funding floor at 5%, having adjusted the baseline to include the supplementary high needs funding that was allocated to DSG funds in December 2021.
- 9.4.2 The gains cap – the limit on gains per head of the population compared to the baseline. For 2023-24 we are setting the gains cap at 7% which means that local authorities can see an increase of up to 7% before their gains are capped.
- 9.5 Therefore, for our own local 2023/24 DSG high need funding allocation this has now been indicatively been set at £30.726M, an additional £1.896M from 2022/23, applying a gain increase of 6.7%, so above the funding floor protection of 5%, but slightly below the gains cap of 7%.



- 9.6 This therefore is a further encouraging increase once again for Southend's children and young adults who require special educational needs related support and children who require alternative education.
- 9.7 And again, as per our local DSG annual funding cycle, the actual full detailed application of this additional 2023/24 funding will be considered as part of the EB June 2023/24 High Need detailed allocation budget paper. June was agreed through the EB to allow enough time for the SEND team in consultation with respective special schools and mainstream schools to allocate the expected in borough EHCP banded funding rates for the following academic year 2023/24. Following the completion of EHCP banded levels consultation this can then subsequently support any required wider funding allocation considerations for the High Needs block in that Academic Year to come.

## **10 Central Block**

### **2023/24 Budget Planning**

- 10.1 The following is the key July 2022 headlines released by the DfE in relation to central block funding for 2023/24:
- 10.1.1 As stated previously, the department are continuing to reduce the element of funding within central block that some local authorities receive for historic commitments made prior to 2013 to 2014.
  - 10.1.2 In 2023/24 for those local authorities that receive it, historic commitments will be reduced by a further 20% from the 2022/23 baseline.
  - 10.1.3 The funding for ongoing responsibilities (LA statutory duties) to deliver for all pupils in maintained schools and academies, will continue to be protected for any losses below -2.5% from the 2022/23 allocation for any reduction in changes between per pupil numbers (between October censuses), but reversely any gains gapped at 5.86% where pupil numbers increase.
- 10.2 The reduction in funding for historic commitments is no surprise, although ofcourse disappointing and was first shared in both the October 2019 and December 2019 EB DSG papers, including a position statement at that time that our own LA should now continue to plan on further funding losses in 2021/22 and beyond.
- 10.3 To remind, In December 2020, EB agreed the plan to manage these continued expected funding losses for both the 2022/23 and 2023/24 financial year by drawing on any remaining Central Block DSG reserves to continue to fund the remaining historic commitment funded services at their current funded levels for these 2 years. There is therefore no need to re-consider this position for 2023/24 but it will need to be considered for 2025/26 subject to no further increase acceleration of this funding unwinding by the DfE. Further central block funding planning will therefore need to commence in 2025/26 by the latest. At the same time we also need to await any further funding announcement from the DfE.

10.4 The table below simply illustrates the now confirmed DSG funding losses for our LA central block historic commitment allocation from the start of 2019/20 through to 2023/24 with a further current suggested trajectory to 2026/27 at the current continued rate of a 20% loss from the previous years base line. This is then also mapped alongside the now current funded commitment for historic services (following the EB December 2020 DSG paper), giving an indicative suggestion of how long those commitments can remain funded at their current levels until a Central block DSG reserve deficit balance would now occur in 2026/27. Again, this table is heavily caveated that the DfE may choose to accelerate these losses further so we must continue to await and review further details as they are announced:

	<b>Financial Year</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
<b>A</b>	DSG Funding remaining	£905,000	£724,000	£579,000	£463,000	£371,000	£297,000	£237,000	£190,000
	% unwound*		20%	20%	20%	20%	20%	20%	20%
	Funding loss*		(£181,000)	(£145,000)	(£116,000)	(£92,000)	(£74,000)	(£60,000)	(£47,000)
<b>B</b>	Current spend commitment*				£430,000	£430,000	£430,000	£430,000	£430,000
<b>A - B</b>	Variance Underspend or (Overspend)				£33,000	(£59,000)	(£133,000)	(£193,000)	(£240,000)
	Central Block forecast reserve balance at 31 <sup>st</sup> March (Deficit)			£473,000	£506,000	£447,000	£313,000	£121,000	(£119,000)

\* % and funding loss unwound from the previous year. – forecast 2023/24 to 2025/26, can only assume until the DfE make further announcements in relation to the Hard NFF it will continue at the rate of 20% each year from the previous years base line.

\* Current spend commitment following December 2020 Education Board

## 11 Latest forecast DSG reserve balances and Use of Reserve strategy

11.1 The latest position on DSG reserve balances remains as presented in the EB June 2022 DSG Final Outturn 2021 22 paper. All agreed conditional use of Reserve balances remain in place, and as per our local annual reporting cycle, an updated position of all reserve balances will be supplied in the December 2022 EB paper, alongside updated 2022/23 forecast spend positions for all blocks at that time.

## **12 Conclusion**

- 12.1 Overall, it is clear from the indicative 2023/24 funding announcements, the DfE is directing greater funding increases towards deprivation factors and High Needs funding allocations nationally. It is however, surprising that a low and maximum 0.5% minimum funding guarantee protection uplift per pupil has been built into the 2023/24 NFF for Mainstream schools, considering significant inflationary pressures facing all schools.
- 12.2 It also of course, must remain noted, it is disappointing that the DfE intention for Dedicated School Grant funding allocations to support “historic commitments” under the Central Block in 2023/24 has continued to unwind further, despite our now local strategy to mitigate these losses up until 2026/27.
- 12.3 It again, must be highlighted with praise for the collaborative working approach of the Local Authority with the Education Board and respective sub groups representing all sectors, including high needs and early years. That the DSG funding continues to be maintained and sustained on an affordable basis.

## **13 Appendices**

Appendix 1 - DSG Updated budget allocation 2022/23 and Indicative budget allocation for 2023/24

Appendix 2 - DSG Illustrative Individual Mainstream School Budget per pupil led funding rates 2023/24

Appendix 3 - Early Years 2022/23 Updated Budget Allocation