

Southend-on-Sea Borough Council

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

To
Education Board

On
13th December 2022

Report prepared by:
Paul Grout, Senior Finance Business Partner
In consultation with the Resources Sub Group

Agenda
Item N

Dedicated School Grant Budget Planning 2023/24 And Forecast Outturn 2022/23

1 Purpose of Report

To present the Education Board with the Dedicated Schools Grant (DSG):

- Making note of the additional government funding for School core budgets in 2023/24 and 2024/25, as announced on the 17th November 2022 as part of the Chancellors Autumn 2022 statement.
- Final indicative 2023/24 DSG budget allocations for any de-delegated maintained school block allocations and central block funded services.
- Agree decisions in principle, at this time, where possible for Early Years funding for 2023/24 and High Need top up funding for 2023/24.
- Updated DSG forecast outturn for 2022/23.

2 Recommendations

Education Board (EB) are asked to specifically agree for 2023/24:

2.1 Support the continuation of the exceptional circumstance funding request through to the DfE, as referenced in 4.4.

2.2 [Maintained School voting rights only] the de-delegation of funding to be centrally retained from the Schools block for the following services, as referenced in 5.3:

- Staff cover costs (public duties)

2.3 The Early Years funding rates for 2023 24 are planned to be set as referenced under the principles of 7.6.

- 2.4 That a 5% uplift will be applied to all Education Health and Care Plan (EHCP) banded top up rates and the Pupil Referral Unit top up rates from the 1st April 2023, but with note, this may be increased further once the full modelling and annual planning for 2023/24 High Needs budget is undertaken in the June 2023 EB, as referenced in 8.5 and 8.6.
- 2.5 The amounts and services that will continue to be funded centrally from the Central Block where the local authority holds a statutory responsibility for all schools, as referenced in 9.3.
- 2.6 That the DSG High Need recommended minimum level of reserves balances is now re-stated, as referenced in 11.2.
- 2.7 And therefore on the basis of the decisions undertaken through both this and the previous October 2022 EB DSG paper, that this December 2022 DSG paper and the following January 2023 DSG EB paper (which is for EB noting only), will be recommended to Council for final approval in February 2023.

Asked to Note:

- 2.8 In line with the EB decision of the October 2022 EB DSG paper, that the per pupil rates of individual school block allocations for 2023/24 will continue to adopt the principles of the National Funding formulae (NFF) in full (As referenced in 4.1.1 to 4.1.3), but also now take note of the possibility that the EB may need to reconvene and decide on further funding decisions, should the DfE administer the additional government funding announcements of the 17th November 2022 through DSG allocations and determine this to be a local decision, as referenced in 4.3.
- 2.9 In line with the EB principle decisions of both the March 2019 EB DSG paper and the December 2020 EB DSG paper, that the growth fund to support schools will continue to be held centrally within the Schools block and distributed to provide the extra required planned places within the authority, as referenced in 6.1.

3 Background

- 3.1 This reports follows on from the previous October 2022 “DSG 2022/23 budget planning and DSG budget update 2022/23” paper, presented and agreed at the EB on 18th October 2022. That paper ultimately set the continued and agreed NFF trajectory for Individual School block allocations in 2023/24 and highlighted the then known Department for Education (DfE) indicative DSG budget changes for 2023/24 covering the Schools Block, High Needs block, Central block with the exception of the Early Years block which at the time of writing that and this paper, still remains outstanding subject to further detailed DfE announcements. It must also remain minded, it was made clear at that time, that the July 2022 funding announcements providing a 0.5% per pupil minimum funding guarantee uplift for main stream schools was very disappointing and a very low uplift, considering the significant inflationary pressures now currently faced for all schools. Serious concerns were raised at national level on the financial sustainability of educational provision.
- 3.2 Now moving forward, since October 2022, the Government’s Autumn term 2022 budget statement released on the 17th November 2022, has provided a welcome and positive head line announcement “that nationally the core schools budget will increase by a further £2.3Bn in 2023-24 and a further £2.3Bn in 2024-25”. At the current time of writing this paper, further detail is awaited as to how that funding will be distributed, but this paper does advise on an appropriate local governance response for EB, should the DfE now in the unlikely event determine that the decision falls for local education board/school forums to decide on how this additional funding will be awarded for 2023/24.

4 Schools Block – Individual School Block (ISB) allocations

2022/23 Budget to Forecast Outturn – on line to budget

2023/24 Individual Schools Budgets

Indicative DSG funding allocation £142.974M (Final tbc in January 2023)

- 4.1 As per the recommendations approved in the last DSG EB October 2022 paper report and associated Appendix 2. The 2023/24 DSG per pupil funding amounts for each school are due to be set on the following basis continuing with the principles of the NFF (and also in view of those now restrictions as shared in the October 2022 paper). Although note this is now subject to changes, if the DfE decide to passport any additional funding following the November’s 2022 announcements through DSG allocations:
- 4.1.1 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.

- 4.1.2 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.
- 4.1.3 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.
- 4.2 And as referenced, in the last DSG EB paper, with the exception of those schools who will attract the 2023/24 minimum per pupil funding levels or a 0.5% per pupil led uplift, all other school per pupil funding rates (i.e. those illustratively attracting their core underlying NFF funded rate per pupil) are indicative and therefore subject to minor changes once the DfE have processed and released the October 2022 school census data. **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 2023/24 per pupil led funding rates to form the final 2023/24 funding allocations.
- 4.3 Now given, the annual funding cycle and timing of traditional funding announcements, it is unlikely that the additional government funding announcements made on the 17th November 2022, will now be able to fall in time to update specific indicative DSG grant allocations already shared for 2023/24 by the DfE. It is therefore expected that the additional funding announcements will flow through to school budgets by way of a direct and additional supplementary grant, administered and distributed directly by the DfE, and if this is the case, there will be no further or statutory requirement for the Education Board / School Forum to apply any decisions. However, and of which is now unlikely, that the DfE do apply the additional funding through to DSG allocations for 2023/24, it is possible that the Education Board / School Forum we will need to re-ratify their local approach to distributing the per pupil DSG funds, albeit with the likely restrictions in place. If that does happen, this will now therefore need to be presented to the EB in January 2023 for decision.
- 4.4 The DfE have also written to the Local Authority (LA), instructing that the LA, must re-submit a disapplication request for the exceptional circumstance funding that is currently applied to St Marys Primary school for the rental of their second school site for the financial year 2023/24 onwards. This funding is paid through to the DSG ISB funds that in turn is passed onto the School. The rental agreement for the second site is currently circa £65,000 per annum. This has been historically agreed and paid since 2014/15 and has no impact on funds being taken away from any other school to afford this rental agreement. The disapplication has been submitted along with the supporting required legal documentation and the outcome of that disapplication is now awaited. A further condition of that disapplication request was to also ensure that the local education board / school forum agree to support the continuation of this exceptional circumstance funding. Therefore, this why this matter is directly recommended in this paper, and that the Education Board are therefore asked

to support the continuation of this disapplication request and exceptional circumstance funding.

5 School block – Centrally retained de-delegated public duties (Voting rights Maintained Schools only)

2022/23 Budget to Forecast Outturn – a projected over spend of circa £4,100

5.1 The current overspend forecast balance reflects the expected run rate of claims to date projected forwarded and that currently 4 academy schools have bought in for their 2022/23 academic year, in addition to the de-delegated sum for maintained schools. And to remind a small in year overspend also occurred on this fund in 2021/22. It also remains minded, as previously agreed, that the Local Authority does not actively promote this fund but simply administers it on behalf of our local schools.

2023/24 Indicative DSG funding allocation £5,168 (Final tbc in January 2023)

5.2 Whilst the projected overspend for 2022/23 is no issue, as it will fall to the small DSG Public duties reserves to cover, it is not financially sustainable for this fund to carry on running in years deficit, which will occur if the claims are to continue at the current rate in future years, compared to the current in year funding.

5.3 Therefore, given the Local Authority, does not promote this fund but administers the fund and can continue to do so, provided it is financially sustainable. It is proposed that the fund from the 1st April 2023 (voting right maintained schools only) is now administered with the following conditions:

5.3.1 That the funds annual income, is increased from the current 0.50p per pupil to £1.00 per pupil. £1.00 per pupil does remain a small de-delegated sum for maintained schools and for academy schools to buy in, but it is not proposed to raise this sum any further considering wider funding pressures and when only a low number of academy schools do currently buy in.

5.4 To simply remind, this is an historical fund that enables maintained schools or academy schools, that choose to buy in, to reclaim staff cover costs, paid at standard hourly rates of staff who undertake Public Duties (usually jury service or sitting as a magistrate), and / or who undertake trade union duties in work time in accordance with the facilities agreement for schools.

5.5 It must however be noted, that in order for this fund to continue being sustained (based on current claims), it will need the continued support at a minimum of the current 4 Academy Schools to buy in for 2023/24 as well. It is however, also advised and encouraged to secure longer term sustainability of this fund from a pure fund perspective, that more Academy schools do buy in to support it, and particularly given individual claims can be for the representation of all schools in Southend.

5.6 This position will remain subject to annual review. It is also fortunate, that the fund currently continues to project and hold a small level of one off reserve balance (as shown in section 11), that can support a small level of in year overspends whilst those funds remain.

6 Schools Block – Centrally retained Growth Fund

2022/23 and 2023/24 Budget Planning

- 6.1 As referenced and agreed, in the March 2019 EB “DSG Growth Fund application 2019/20 and future years” paper and the December 2019 EB “DSG budget planning 2020/21” paper:
- 6.1.1 The application of applied Growth fund is now managed on a long term basis, allowing any one year to either overspend or underspend against the DfE’s allocated amount for Growth provided that the total distribution of the growth fund is affordable over the life of the planned growth. The per pupil Growth rates to be paid out from September 2023 can also be no lower than the minimum agreed per pupil rate tolerances declared in the March 2019 EB DSG paper.
 - 6.1.2 The actual total growth fund amount for 2023/24 will be shown by the DfE in late December 2022, separated and shown within the Final 2023/24 School Block funding allocations.
 - 6.1.3 Therefore, in accordance with the previous agreement and conditions, the growth fund rates from September 2023 will be presented in the next January 2023 DSG paper, alongside any potential for growth funding rates to be increased from September 2022 if affordable over the planned life of the growth. The growth model will therefore be revised and displayed as an Appendix in that paper.
- 6.2 The current £89,000 overspend on 2022/23 growth remains as stated in the January 2022 DSG paper, so there has been no change overall to the number of new intakes classes from what was previously expected for 2022/23. And, to remind, as above, any considerations to over or underspend in year will simply be factored into the funding model on a longer term basis. We would also expect the DfE DSG funding formulae for growth in 2023/24 to be increased as the projected numbers on roll between the October 2022 and October 2021 school census’s should therefore have also increased incorporating this additional growth.
- 6.3 And to remind, as shared in the October 2022 paper, in 2023/24 we can therefore continue on our approved principles administering Growth funding locally, whilst we continue to await the outcome of the recent NFF consultation which include any potential changes to the administration of growth funding locally.

7 Early Years Block

2022/23 Budget to Forecast Outturn – forecast underspend of (£311,000), although note currently anticipated this will be clawed back by the DfE shown under section 10. DSG Funding.

- 7.1 It must continue to remain minded, the DSG Early Years Block 2022/23 (funding in) allocations remain provisional until the DfE have processed the January 2023 early years census (for the spring term 2023), and will therefore announce revised and final funding allocations for 2022/23 in July 2023. However, at this time, and to give a sense of current direction from head count payment data, in board terms currently based on the Summer 2022 final head counts and Autumn 2022 latest estimates, 2 year old and 3&4 year extended entitlement funding is marginally less than the current DfE allocation at approx. circa (3%). 3 & 4 year old universal entitlement is also running at a slightly higher decrease of an average (7.5%) reduction. This is not by any means a case of providers not being paid what is due, but an indication of early years head count data. Early years pupil premium remains very close to the latest revised 2022/23 funding allocations, which did see approximate 70% uptake gains from 2019/20, so that has sustained. It will also be known by the end of March 2023, as to whether these slight reductions have continued into the spring term of 2023.
- 7.2 All centrally retained services and previously agreed use of reserve balances remain forecast on line, at this time.

2023/24 Budget Planning

- 7.3 At the time of writing this paper, formal 2023/24 early years funding announcements from the DfE are still awaited, and unfortunately these announcements have again now fallen late into the Autumn term. There is also ofcourse and hoped, of the welcome possibility that the DfE will target further funding towards Early Years given the governments announced increases to the schools core budget on 17th November 2022, but again the detail is awaited and as to whether this will also apply to Early Years.
- 7.4 However, to aid and inform current planning as first shared in the October 2022 DSG paper it is known that the DfE have consulted (in July 2022) on potential funding rates for 2023/24 including the now built in addition of a current supplementary grant paid directly to School Nurseries for teacher pay and pension uplifts. From that published consultation, it was clear, that the 2023/24 rates currently proposed locally for Southend included a 4.4% uplift on the hourly rate for 3&4 year old funding and a 2.0% uplift funding for 2 years old. It is therefore anticipated these will now be the minimum uplifts to be applied to those rates, but again hoped for further.
- 7.5 Now, given these following present factors:
- 7.5.1 That the DSG Early Years reserve remains positive including the previously agreed draw down of further reserve balances in 2023/24.
- 7.5.2 That nationally, the country is now seeing record inflation over the last 41 years

- 7.5.3 That the National Living Wage (over 23's) will increase by 9.7% from the 1st April 2023.
- 7.5.4 That Southend has successfully administered for the last 4 years, a very transparent and effective monthly payment process to all Early Years providers.
- 7.5.5 And that the Local Authority and the Education Board, strongly support, the continued maintenance and principle of a core universal paid rate for all Early Years providers, which in turn, also means we do not support the option of a quality supplementary uplift for particular providers which would also mean a reduced rate for other providers.
- 7.6 It is therefore recommended, that any final agreed uplifts are simply straight applied to the core funding rates for **all** Early Years providers up to the provision of a maximum 7% uplift, and this is with note that the current minimum uplifts are expected at 4.4% for 3&4 year old funding and 2.0% for the 2 year old funding. Therefore, if by chance the DfE was to propose an uplift of greater than 7%, then it is advised that the recommendation is instead bought back to the Education Board at either the January 2023 or March 2023 scheduled meetings (depending on feasibility of timing beforehand), as it would, also simply be irresponsible not to consider any possible potential further EY centrally retained funding from a greater uplift, that could target particular additional provision or services.
- 7.7 It, is also therefore by default of 7.6 being agreed, that the statutory supplement deprivation hourly rate of 44p per hour and the centrally retained funding rates are also maintained at their current levels in 2023/24, if upto a maximum 7% available uplift is applied.
- 7.8 Therefore on the basis the principles of 7.6 is agreed, and that the DfE make an official announcement before the Christmas break on the actual funding rates for 2023/24, the Early Years hourly rates for 2023/24 will be set and displayed in the January 2023 DSG EB paper for noting only. This, then also clearly enhances the ability for Early Years providers to plan for 2023/24 as soon as possible, and re-confirms our local position that we seek to passport on, as much funding as possible, which also in turn will help to support sustainability of our valuable Early Years provision and continues to maintain Southend above the DfE statutory 95% passport rate for 3&4 year old funding. A sector that is also facing significant funding pressures.

8 High Needs Block

2022/23 Budget to Forecast Outturn – a projected (£0.624M) under spend against current services lines expenditure.

- 8.1 Appendix 1 – displays the most up to date 2022/23 forecast outturn for High Needs on a line by line basis, which is also summarized in the table below including a comparison to the previous forecast as shared at the June 2022 EB DSG High need budget setting paper. It also has to remain heavily caveated, that these forecasts do remain subject to material change, particularly as always on independent providers placements but also including final EHCP banded top up funding amounts paid for the Autumn 2022 term which await final adjustments and any applicable changes for the Spring 2023 term.

Summary Heading	2021/22 Final Spend	2022/23 Latest Budget	2022/23 Opening Forecast (June 22)	2022/23 Current forecast (Dec 22)
Place funding	£8.196m	£8.666m	£8.519m	£8.517m
Special and PRU/AP top up funding	£6.615m	£7.947m	£7.737m	£7.737m
Subtotal	£14.812m	£16.612m	£16.256m	£16.254m
Schools, early years, post-16 top up funding	£4.040m	£4.880m	£4.680m	£5.100m
Independent Providers	£1.533m	£1.950m	£1.950m	£2.050m
Other Provisions including SLA's	£1.578m	£2.595m	£2.453m	£2.009m
Total services line total	£21.963m	£26.037m	£25.338m	£25.413m
Funding allocations to support required future permanent growth in high need provision		£2.400M	£0.250m	£0.250m
Remaining balance held aside from service provision to support any in year high need funding pressures		£0.393m		
Total	£21.963m	£28.831m	£25.588m	£25.663m

- 8.2 Although forecasts remain heavily caveated, the table above does indicate that all service line current spend forecasts (with the exception of other provisions including SLA's) have either increased or are on line to the forecasts as presented in the June 2022 DSG High Needs paper. Whilst for the medium term these increased forecast spends will need consideration for financial planning of 2023/24, they fortunately have no impact on the current immediate high need funding position given both our strength of reserve balances and in year financial planning. Why are these service lines forecasting overspends ?, to put simply, the number of current Education Health Care Plans awarded and administered from 2021/22 have continued to grow and this has always been highlighted as a risk with financial planning for High Need funding allocations in the DSG papers.

- 8.3 It remains minded, that the LA lead officers Head of SEND and Head of Access and Inclusion also continue to work on plans relating to funding allocations held

aside to support permanent future growth in High Need provision, and they will continue to be shared with EB, when they are in a position for final required EB consultation and factoring into considerations for 2023/24 budget planning.

2023/24 Budget Planning - Indicative allocation of £30.726M (explanation covered in the last October 2022 DSG report, and resulting service expenditure allocations will be set as planned in the pre-agreed June 2023 High Need detailed allocation paper). It remains minded that June is the agreed date through Education Board to set the detail of the high need budget for the following academic year, as this then allows both sufficient time for the most accurate planning of expected banded top up funding amounts in 2023/24 and also therefore considering any affordable uplifts alongside.

- 8.4 Whilst, the full detail of the annual budget planning for High Needs must still fall to the June 2023 EB, and allowing appropriate time for the assessment of all top up banded levels that will lead into the 2023/24 Academic Year. It is very important at this time, considering the inflationary pressures on all schools, that assurance is given locally where we are able to decide on rates that will seek to pass on funding, that is affordable within DSG allocations and provide early assurance as soon as possible.
- 8.5 Therefore, on overall assessment of the current and positive reserve balances of the DSG High Needs, future planning and with a consideration to the further uplift to the DSG funding for 2023/24. It is recommended that at a minimum, assurance is provided that a 5% uplift on all current EHCP and the PRU top up rates is applied from the 1st April 2023. This has an equivalent annual cost on the current number of EHCP's and those banded levels of circa. £0.5M per annum. It is advised, not to go further than this at this time as there can be high variation in banded levels between years, and if a higher cohort of children move into higher bands, this, then in itself has an additional cost implication within the High Needs budget. The High Needs budget is also now seeing record number of EHCPs.
- 8.6 Therefore, on the basis that 5% is currently offered as a minimum uplift, should the financial modelling and planning of the June 2023 High Need budget paper be able to afford higher top up rates, on a longer term basis, then this will be shared for agreement and backdated uplifts applied. It must also remain minded, the 5% increase that will now be confirmed and honoured from the 1st April 2023, is also on top of the 7.6% funding uplift that was already agreed for 2022/23. It also remains minded, that the 7.6% funding uplift itself also included within, the additional uplift of 2.6% to cover the estimated increase for the 1.25% National Insurance (NI) contributions applied from the 1st April 2022. Whilst the government have now agreed to reverse the 1.25% additional NI contributions from the 6th November 2022, it is therefore also not recommended that in turn the 2.6% uplift that was intended to meet that cost is reversed and instead allow setting to retain that funding to meet wider cost pressures. However, again, this highlights that a final decision should be made in June 2023 on EHCP top up rates for 2023/24, as it is not currently known at this time what the government's intentions are on relation to additional grants of funding that where administered to meet that particular NI cost. It is also therefore hoped, it remains sustained in the DfE High needs allocations to meet wider cost pressures in high needs.

9 Central Block

2022/23 Budget to Forecast Outturn – held on line to budget

2023/24 Budget Planning

Indicative Total allocation of £1.369M (Final tbc in January 2023)

- 9.1 EB approval is required each year to approve the amounts and funded services listed within the Central Block DSG allocation.
- 9.2 In the last October 2022 EB DSG paper and previous papers, it was, again explained about the continuation of DfE funding losses in the combined budgets (historic commitments), but with the current expectation and plan as agreed in EB DSG December 2020 paper agreed, that the now funded commitments for individual service allocations moving forward at this time within the combined budgets can hopefully be sustained until 2025/26 by drawing on remaining reserve balances within the Central block. And it remains minded, those remaining service allocations were presented as a Part 2 Appendix (not for public view) in the December 2020 paper, given natural sensitivities around those proposals.
- 9.3 The Education board are therefore asked to approve the allocation of the Central Block 2022/23 funds as follows, which distributes the full amount available to these services lines and in line with previous years decisions and no new commitments are being entered into:

	2023/24 Indicative Amount
From Central Services Block	
Combined Budgets (historic commitments)*	£370,643
CLA/MPA Licences	£142,987
Schools Admissions	£275,617
Servicing of Schools Forum	£18,700
Centrally employed teacher contr.	£95,322
ESG Retained Duties*	£466,556
	£1,369,835

Combined Budgets (historic commitments)*, and note this budget allocation will now be further increased by £59,000 for 2023/24 from the DSG Central block reserves. So the commitments can remain sustained at £430,000 for 2023/24.

ESG Retained Duties * - ongoing funding (former Education Service Grant) to support LA Statutory duties - Child and Educational Leadership, Planning and Budget planning, monitoring, Education Welfare and Asset Management

10 DSG Funding

2022/23 Budget to Forecast Outturn – forecast net £250,000 claw back adjustment due to the Early Years funding adjustments.

- 10.1 As first shared and explained in the October 2022 DSG Paper, the DfE have awarded an additional circa (£61,000) to DSG funds to early year balances in 2022/23 but of which relate to their final funding adjustment for 2021/22 and is also a small adjustment in consideration to early years funding being circa £10M per annum. The DSG funding adjustment for early years, also now in addition, currently forecasts as explained in section 7 an anticipated claw back of £311,000 that will be processed in 2023/24, but of which relates to DSG funding in 2022/23. Whilst these funding issues are technical accounting matters, it is with reassurance they have no detrimental impact on overall Early Years reserves balance, but, none the less important they are displayed, as it also further recognises the overall management and planning of DSG funds and balances.

2023/24 Budget Planning

- 10.2 The current indicative Total DSG funding allocation for 2023/24 is shown as £186.254M. However, we continue to note that the total school block funding allocation will also be updated once the October 2022 census has been processed by the DfE, with the results released late in December 2022, and therefore will be displayed in the next January 2023 DSG EB paper. Alongside any further considerations as to how the DfE will be administering further funding considering the government announcements on the 17th November 2022.

11 Latest forecast DSG reserve balances

- 11.1 The table below updates the current expected DSG reserve balance by year end, reflecting any updated forecasts for 2022/23 presented within this paper. It also remains minded, the reserve balance table includes as formally agreed through the EB DSG October 2021 paper, the presentation of recommended minimum reserve balances for each block, and where reserve forecast balances are now above those minimum recommended balances the following DSG expenditure conditions apply for the one off use of those reserve balances for both the reserve balances of Early Years and High Needs:
- 11.1.1 That any one off cumulative use of reserve balances below £50,000 in any one financial year has the required LA lead officer approval to proceed, but on the conditional basis this is reported through to EB.
- 11.1.2 That any single expenditure item or where the cumulative use of reserve balance was to fall above £50,000 in any one financial year then EB approval is firstly required. If the item or the matter is urgent, then approval can be given by an urgent virtual EB agreement but with a subsequent note to the actual and following scheduled EB meeting for formal minuting.
- 11.2 Whilst, it ofcourse remains encouraging that locally we have now successfully achieved balance and financial health within our DSG balances and this in turn has a wider and positive effect on all local education settings. It is advised, that given our High Needs cost base continues to increase, we re-assess the previously agreed recommended minimum level of reserves for High Need balances. Minimum Reserves balances are not held to support short term planning, they are held to support ongoing long term planning and sustainability of future service provision, and avoiding the need to make required reductions in service provision if funding pressures do materialize. It is therefore recommended, for long term planning that a small increase to the minimum recommended reserve balance is applied within high needs from the current 8% of expected latest annual funding, and raised to 10% of annual funding which is in view of both the highly demand led nature of high needs funding and potential that some EHCP plans can involve significant costs.
- 11.3 It also has to remain minded, as previously presented and demonstrated in Appendix 2, that thankfully and gratefully, Southend's High Needs block under recent DfE national funding formulae has seen significant gains in funding (as will have many other local authorities). For example, after the years of the local DSG High Needs deficits of 2016/17 and 2017/18, the annual funding budget in 2019/20 was £19.536M and in 2022/23 (4 years later) the funding budget is now £28.831M which is also the equivalent of a recurring 50% growth in funding over that 4 year period. Whilst, ofcourse the growth in DfE High Needs funding has been much needed and welcomed, enabling Southend to apply substantial increases in spend provision through increasing required place based provision, increasing all EHCP top up rates year on year, bringing on line new and expanded high service provision, whilst also supporting increased number of EHCP plans all as demonstrated by the spend growth in Appendix 2, the agreed funding strategy has also rightly remained to ensure long term/ongoing sustainable funding for new and further additional Alternative Provision places and new and wider SEND Inclusion services. Therefore, as those key and

strategic initiatives continue to progress through the respective working groups and local authority lead officers, it has meant, and as previously recognised and shared in the annual DSG June High Needs paper, that the High Needs one off reserve balances will increase until those key and new high need service provisions come on line.

Block	Schools - ISB	Schools - growth	Schools - de-delegate	Early Years	High Needs	Central	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Reserves surplus / (deficit)							
1 April 2022 B'fwd	11	121	12	1,287	6,496	473	8,401
Agreed (Issue) to* 2022/23 budget	0	0	0	(167)	0	33	(134)
Early years funding adjustments	0	0	0	(250)	0	0	(250)
2022/23 current forecast variance	0	(89)	(4)	311	3,168	0	3,386
31 March 2023	11	32	8	1,182	9,664	506	11,403
Agreed Issue to* future yr budgets				(167)	(0)		(167)
Recommended* Minimum Reserve balance	0	32	8	500	3,073	506	4,119
One off Funding Available for DSG Conditional Use				515	6,591		7,106

Agreed (issue to budget for future years 22/23 and 23/24) - EY draw down agreed at the January 2022 Education Board

*Recommended Minimum Reserve balances, now currently set at 5% for Early Years and 10% for High needs of current total in year funding available for both of those blocks. Both these recommended minimum reserves %'s are subject to review and agreement should we see any funding pressures materialize in future years. All other block reserves balances are ring fenced to support those reserve block positions, particularly with note to the Central Block reserve that will be fully utilized to support the unwinding of DfE DSG commitments to Central Block Historic commitment services.

12 Conclusion

- 12.1 It is ofcourse welcome that since the last DSG October 2022 paper the government have now indicated at a national level, additional funding will be awarded to core school budgets for 2023/24 and 2024/25, but it remains unfortunate at this time the detail of those allocations is not known.
- 12.2 Whilst, 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 itself, continues to be maintained and sustained on an affordable basis, which in turn also provides due consideration and further funding that can be directed to help and assist further funding pressures for all educational providers and settings as re-confirmed and shared in this paper.

13 Appendices

Appendix 1 - DSG Budget 2022/23 and Forecast Outturn 2022/23 and Indicative budget allocation for 2023/24

Appendix 2 - Southend Long term DSG High Need Funding and Spend Chart