

Southend-on-Sea City Council

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

Education Board

On
20th June 2023

Report prepared by:
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Agenda
Item No.

Final Outturn for Dedicated Schools Grant 2022/23

1 Purpose of Report

To update the Education Board on the Dedicated Schools Grant (DSG) final outturn for the 2022/23 schools budget, high needs, early years and centrally retained.

2 Recommendations

Education Board (EB) are asked to note:

- 2.1 The final 2022/23 outturn.
- 2.2 And the subsequent DSG reserve balances shown for each individual funding block to be carried forward into 2023/24 (as referenced in 4.21).

3 Background

- 3.1 This report sets out the final outturn (spend position) compared to the 2022/23 DSG budget set for schools, high needs, early years, central and the subsequent resulting position for DSG reserve balances and continues to be presented with the EB according principles that each funding block will be self sustaining within its own funding allocation.

4 2022/23 Dedicated Schools Grant budgets and final outturn

- 4.1 Appendix 1 provides the detail of the allocated DSG Budget, final outturn and final variance for the schools block, high needs, early years, central and DSG income.
- 4.2 The budget and outturn are presented as gross figures which include allocations which are recouped from the Schools and the High Needs Block by the Department for Education (DfE) in order to pass funding directly onto academies, including high need place funding for free schools and further

education colleges. This report summarizes the final spend variances to budget.

Schools Block total – £14,452 in year overspend, of which:

Schools Block individual school block allocations – online

- 4.3 Individual school block allocation reflects the DSG sum available and distributed to schools in accordance with the National Funding Formulae (NFF) principles and as agreed in the January 2022 EB Budget paper.

Schools Block De-delegated – staff cover costs (Public duties) - £4,137 overspend

- 4.4 As forecast and shared in the December 2022 DSG paper an in year overspend of £4,137 on the small fund supporting Public Duties has occurred. Which reflects the final net expenditure claim balance after 4 academy buy ins in addition to the maintained schools de-delegated sum. This small overspend will automatically fall to the isolated DSG reserve balance for de-delegated public duties, reducing the previous positive balance of £12,206 (at the 1st April 2022) to now £7,889 as at 31st March 2023.

- 4.5 It also remains minded that for this fund to remain financially stable and therefore available based on current claims it will need at a minimum the 4 Academy schools to continue to buy in. It therefore remains encouraged more Academy schools do buy in. And as shared and agreed in the December 2022 DSG paper the buy in rate for 2023/24 is £1.00 per pupil.

Schools Block Growth – £10,135 overspend

- 4.6 As previously forecast and explained in detail in the March 2019 EB DSG growth fund paper alongside the 2022/23 rates updated and as shared in the January 2023 EB DSG budget paper, the distribution of available growth funding (funding for new intake classes) from 2019/20 is now modelled over the planned life of the growth. Therefore, this small 2022/23 overspend will be held within the Isolated DSG reserve balance for growth held as a small deficit and which will be recovered in 2023/24.

Early Years (EY) Block – (£332,095 equivalent 3%) underspend against the latest provisional EY DSG funding allocation

- 4.7 The EY block DSG funding for 2022/23 remains provisional until the DfE have updated the final funding allocations for the spring term of 2023 based on the January 2023 early year census, expected to be announced in July 2023. And it remains minded EY funding in is based on both EY January census's for the current and preceding year.
- 4.8 As forecast and shared in the December 2022 DSG paper an underspend was expected. And following the Spring 2023 term head count EY census information enabling an average to be determined across the 2023/24 financial year there has continued to be slight reductions in headcount uptake compared to the previous year for 2 year old and 3&4year old universal entitlement at

respective circa 4% and 5% reductions, and an increase uptake of circa 3% for 3&4 year old extended entitlement funding (with a larger increase in the January 2023 census). EY pupil premium (EYPP) uptake has also continued to increase at circa 9% as an average across the year.

- 4.9 It is not currently expected that the January 2023 EY census once processed by the DfE will materially change the current 2022/23 EY funding allocation as a total, although it is expected 2 year old eligibility and 3&4 year old universal funding will be reduced, it also expected this will be broadly offset by an increase in both 3&4 year old extended entitlement funding and EYPP funding. Therefore, as previously explained, any underspend or overspend for early years providers will be due to either a lower or higher average distribution respectively of PTE* paid out across the year for the 3 terms, compared to the provisional DSG funding currently based on the January 2022 and January 2023 census alone. This is therefore absolutely no case of EY providers not being paid for what is due. Southend also positively administers a very high passport rate of funding (within the DfE funding available) and does not hold any in year funding for contingency.

*PTE (Part Time Equivalent). DfE defined as the number of children taking up 15hours per week over 38 weeks. So 1 PTE = 15 hours per week child care over 38 weeks.

- 4.10 Planned EY Centrally retained funding as a total has broadly and collectively held online to budget, although it is with note that the EY SEND inclusion fund has overspent within this total. The future budget size of the EY SEND inclusion is a positive consideration within the following High Needs DSG 2023 24 paper.
- 4.11 The total EY Provisional underspend of circa (£332,000) will therefore naturally fall to increase the EY DSG reserve balances and be available for future one off use towards EY whereby EY DSG reserve balances overall continue to be positive.

High Needs Block – (£672,131) underspend against allocated service line expenditure. Full underspend of (£3,393,755) including the permanent funding held aside to support long term permanent growth and expansion in high needs.

- 4.12 As referenced Appendix 1 displays the full 2022/23 final outturn for high needs on a line by line basis. And, as referenced in both the previous June 2022 and December 2022 EB DSG papers, an underspend on High Needs funding for 2023/23 was expected and this is in view that it is particularly awaited for new and positive permanent funding provisions to come on stream. Although it should also be noted regardless spend as a total has continued to increase throughout 2022/23 and this is as referenced in the summary table below.
- 4.13 It must also remain noted, that many Local Authorities and School Forums across the country are struggling to contain their High Needs spend within their DSG funding allocations, including Authorities that now have high deficits within their DSG's and therefore effectively requiring financial recovery (a position Southend was in previously up to and including in 2018/19). It is therefore welcome that locally through the combined efforts of the Local Authority, Education Board and respective Schools we have now been able to contain

spend within the increased DfE funding allocations, including the awarding of growth on EHCP banded top rates, expanding provision and continuing to grow the applicable number of children supported by EHCP's. The additional permanent funding received from the DfE is of course much needed and enables High Needs funding locally to expand further in line with demand and the strategic intent for further expansions as has been set within the June 2021 and June 2022 EB DSG high needs paper, and will continue into the following June 2023 EB DSG paper on a permanent basis.

4.14 The following table summarises the current final spend (col. B) to budget position (col. A) for 2022/23 alongside previous spend forecasts.

Summary Heading	2022/23 Final Budget (A)*	2022/23 Opening Forecast (June 22)	2022/23 Revised Forecast (Dec 22)	2022/23 Final Spend (B)	2021/22 Final Spend
Place funding	£8.666m	£8.519m	£8.517m	£8.546m	£8.197m
Special and PRU/AP top up funding	£7.946m	£7.737m	£7.737m	£7.459m	£6.615m
Subtotal	£16.612m	£16.256m	£16.254m	£16.004m	£14.812m
Schools, early years, post-16 top up funding	£5.318m	£4.680m	£5.100m	£4.916m	£4.040m
Independent Providers	£1.950m	£1.950m	£2.050m	£3.038m	£1.533m
Other Provisions including SLA's	£2.595m	£2.453m	£2.009m	£1.845m	£1.578m
Total services line total	£26.475m	£25.338m	£25.413m	£25.803m	£21.963m
Funding allocations to support required future permanent growth in high need provision	£2.400M	£0.250m	£0.250m	£0.072m	
Remaining balance held aside from service provision to support any in year high need funding pressures	£0.393m				
Total	£29.269m	£25.588m	£25.663m	£25.875m	£21.963m

*Final Budget A – note Southends high need funding allocation has also been increased by a further £0.438M due to an updated import and export adjustment for 73 Post 16 placements, and the resultant funding adjustment was applied to the Post 16 service line.

4.15 To remind, 2022/23 saw our local DSG high need funding grow by a further circa additional £3.7M through the high needs funding formulae, as part of the government's three financial year funding settlement for Schools and High Needs funding covering the financial years 2020/21, 2021/22, 2022/23. It must also be noted that since 2018/19, positively the recurrent budget allocation has increased by 57.1%. And actual spend provision itself upto 2022/23 from 2018/19 has also positively increased by 40.5%.

- 4.16 And, as referenced in 4.12 (and in full in Appendix 1) and as presented in the June 2022 DSG High Needs paper, it was always recognised new permanent funding of £2.4M had been held aside to support the expansion of permanent growth within the high needs block until mobilized. An element of this permanent growth has naturally continued to be considered within the following June 2023 DSG High Needs paper where more detail will be covered and reflects the new funding provisions now mobilized. It must also remain noted Southend has also collectively spent in 2022/23 circa £3.9M more on High Needs funding than in 2021/22.
- 4.17 Focusing on some of the key spend and budget variances (for noting only) in 2022/23:
- 4.17.1 There is always spend volatility in high needs Independent provision budget due to the demand led nature of these budgets and market prices, where 3 or 4 additional residential school placements can add significant additional cost. This budget will also support the independent educational costs of vulnerable children under local authority care. 2022/23 has seen a considerable increase on local authority Residential Care placements due to both complexity of cases and a care market that is stretched and therefore pushing up care prices to some now very high cost placement. An elements of these placements are joint funded where education is applicable (and in some cases also including health), and this has therefore also pushed up the attributable educational costs to the High Needs block and of which are considered through the Multi Agency Placement Panel. Independent provider placements ofcourse remain a high risk spend provision for all high needs blocks and future budget planning.
- 4.17.2 In borough Special Schools, Mainstream Schools, early years, post-16 top up funding. As previously highlighted the number of current Education Health and Care Plans awarded and administered has continued to grow and this does reflect within spend positions across these settings.
- 4.17.3 Other Provisions including SLA's. As displayed in Appendix 1, the main area's of underspend are the Hospital Education provision, Inclusion Services, Individual tuition services and Elective Home Education (EHE) costs Alternative Provision. Again, required Hospital Education provision will be simply based on the need and demands during that year, and obviously welcome that in 2022/23 spend has been lower than budget. The underspends within Individual tuition Inclusion Outreach services and EHE (AP) have been due to difficulties in recruitment to vacant posts and within Inclusion Services there has also been no call in 2022/23 on spend against some of the specific provision within the additional education Inclusion Services budget.
- 4.18 The High Needs underspend for 2022/23 will naturally fall to support the DSG High Need reserve balances, and we need to remain minded of the now agreed approach as set at the October 2021 EB DSG paper whereby one off DSG reserve balances above the minimum recommend level of reserve can be used to support DSG High Needs one off spend with the appropriate agreed consultative governance around that use. Therefore the now updated DSG balances and reminder of agreed approach for the use of one off balance is updated and displayed in paragraph 4.21.

Central block – online to budget

- 4.19 All spend has been attributed in line with expectation of budget. It must continue to remain minded the “Contribution to combined budget” DfE funding does unfortunately continue to unwind and is managed under the conditions agreed in the EB DSG December 2020 paper, and the latest position was reflected in the December 2022 DSG paper in terms of now sustainable current spend commitments until 2025/26 which will be funded by drawing on the remaining DSG central block reserve balances.

DSG funding income – £61,216 additional income

- 4.20 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 Years (EY) 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 £61,000 will continue to naturally fall to further support EY DSG Reserve balances and therefore be available for future one off use.

Overall Position for the 2022/23 DSG Final Outturn and reserve balances as at the 31st March 2023

- 4.21 As displayed in Appendix 1 and the table below this now reflects the final DSG reserve balances as at the 31st March 2023 which are carried forward to the 1st April 2023. It continues to remain minded, the reserve balance table now also 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, with now note to both the reserve balances of Early Years and High Needs:
- 4.21.1 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 back through to EB.
- 4.21.2 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 consultation is firstly required. If the item or the matter is urgent, then consultation 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.

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	(121)	0	(167)	0	33	(255)
Early years funding adjustments (PY)	0	0	0	61	0	0	61
2022/23 Final variance	0	(10)	(4)	332	3,394	0	3,711
31 March 2023	11	(10)	8	1,514	9,890	506	11,919
Agreed / Planned* Issue to 2023/24 budget				(167)	(2,750)	(59)	(2,976)
Recommended* Minimum Reserve balance	0	(10)	8	500	3,536	506	4,539
One off Funding Available for DSG Conditional Use				847	3,605		4,451

*Agreed / Panned Issue to 202324 budget - EY draw down agreed at the January 2022 Education Board, Central Block commitments at the December 2020 and 2022 EB, and High Needs drawn reflects the proposed draw down allocation in the High Needs 2023 June DSG EB paper.

*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.

5 Conclusion

- 5.1 A closing 2022/23 financial position for DSG balances now returning a total final DSG surplus reserve balance of £11.919M (equivalent 6.7% of total 2022/23 DSG funding £178.908M) to be rolled forward into 2023/24 at the 31st March 2023. But with note, after accounting for approved and planned one off funding draw downs in 2023/24 and recommended minimum reserve balances, their currently remains a one off reverse balance of £4.451M available for one off future DSG and available conditional use (equivalent 2.5% of total 2022/23 DSG Funding).
- 5.2 A healthy and sustainable financial DSG reserve position continues to benefit and maximize available future funding to support all children and their educational development. 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. This in turn also then continues to lead itself to further due consideration and funding that can be directed to help assist further funding pressures for all educational providers, and particularly continuing to support the educational requirements of children with high needs and Inclusive practice.

6 Appendices

Appendix 1 - DSG Final Budget to Spend Outturn 202223