

Southend-on-Sea City Council

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

Education Board

On
18th June 2024

Agenda
Item No.

Report prepared by:
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Final Outturn for Dedicated Schools Grant 2023/24

1 Purpose of Report

To update the Education Board on the Dedicated Schools Grant (DSG) final outturn for the 2023/24 schools budget, high needs, early years and centrally retained.

2 Recommendations

Education Board (EB) are asked to note:

- 2.1 The final 2023/24 outturn and variance to budget explanation reasons as explained through this report.
- 2.2 And the subsequent DSG reserve balances shown for each individual funding block to be carried forward into 2024/25 (as referenced in 4.26).

3 Background

- 3.1 This report sets out the final outturn (spend position) compared to the 2023/24 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 2023/24 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 – £0.125M in year overspend, of which:

Schools Block Growth – £0.128M overspend

- 4.3 As previously forecast and explained in the December 2023 EB DSG paper and explained in detail in the March 2019 EB DSG growth fund 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 overspend in 2023/24 of £0.128M (as a result of further bulge classes required) will be held within the Isolated DSG reserve balance for growth returning a final deficit balance of (£0.105M) and which is currently planned to be recovered in 2024/25. It therefore again needs to be recognised and welcome that given the required and managed flexibility of our growth model allocations over the longer term that it can adapt to these urgent requirements that are not always possible to foresee but do happen.

Schools Block individual school block allocations – (£5,591) under spend

- 4.4 Individual school block allocation reflects the DSG sum available and distributed to schools in accordance with the National Funding Formulae (NFF) principles and as displayed in the January 2023 EB Budget paper, noting the total sum for distribution was £144.163M.
- 4.5 The small underspend balance of (£5,591) reflects the reduced in year business rate reduction applied that the DSG is able to retain when a maintained school converts to an academy status during that year. This is applicable to 2 further maintained school to academy conversions during 2023/24. It is simply proposed at this current time that the underspend is held within the DSG reserve balances against the Individual Schools Block.

Schools Block De-delegated – staff cover costs (Public duties) - £2,500 overspend

- 4.6 As forecast and shared in the December 2023 DSG paper an in year overspend of £2,500 on the small fund supporting Public Duties has occurred. Which reflects the final net expenditure claim balance after 3 academy schools bought in to the fund prior to the 31st March 2024, in addition to the maintained schools de-delegated sum (which was 11 schools during 2023/24 – reducing to now 9 schools following the 2 schools academy conversion). This small overspend will automatically fall to the isolated DSG reserve balance for de-delegated public duties, reducing the previous positive reserve balance of £7,789 (at the 1st April 2023) to now £5,389 as at 31st March 2024.
- 4.7 However, it is positive to confirm an academy trust (and for all their 6 schools within) has very recently confirmed and bought into the fund (during May 2024) increasing the current number of academy schools buy ins for the 2023/24 academic year to 9. Increased and agreed Public Duty activity claims (which benefits all schools) will come from this fund as part of this buy in, so the fund will continue to reduce if more academy buy ins are not achieved and

outstripping the claims made. But it does highlight, the purpose of this fund that the LA can continue to administer provided it is financial stable. It therefore remains encouraged all Academy schools do buy in, regardless of requiring to make any claims and it remains a very small buy in rate at £1.00 per pupil.

Early Years (EY) Block – (£0.461M equivalent 4.2%) underspend against the latest provisional EY DSG funding allocation of which:

(£0.336M) of the underspend is for the following reasons:

- 4.8 The EY block DSG funding for 2023/24 remains provisional until the DfE have updated the final funding allocations for the spring term of 2024 based on the January 2024 early year census, expected to be announced in July 2024. And it remains minded EY funding in is based on both EY January census's for the current and preceding year.
- 4.9 As forecast and shared in the December 2023 DSG paper an underspend was expected on the provisional allocations, with an anticipated equivalent claw back of funding provision from the DfE subject to the January 2024 spring term EY census.
- 4.10 And, 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.

- 4.11 Therefore, where the change has now occurred not expecting any claw back is due to the revised updates of EY funding uptakes in the EY January 2024 census, although note – this is still caveated until the DfE process the final funding adjustment for the financial year 2023/24. The previous anticipated claw back was based on a gauge of uptake from April 2023 to October 2023 projected forward – highlighting an approx. (10%) reduced funding uptake on 2 year old disadvantage funding and an approx. (8%) 3&4 year old universal funding reduction, where both remain true at that point in time. Whilst it remains the case that the 2 year old disadvantage funding uptake has continued to decrease at circa (11%) for the financial year, the 3&4 year old universal uptake positively increased from October 2023 and at the EY January 2024 census is now only (1%) lower than the original provisional allocation, and whereby take up of the 3&4 year extended entitlement funding which previously held steady positively increased to a circa 9% growth at the EY January 2024 census. Therefore in terms, of the DfE EY technical funding adjustment as explained above, given the uptake increases in the EY January 2024 census (and offsetting) the 2 year old disadvantaged decrease – the total funding difference **(as a total)** is therefore estimated to be broadly similar to the provisional

allocation (**as a total**), now not anticipating any material claw back. Therefore the underspend is due to the lower take up between April 2023 and October 2023 only.

(£0.125M) of the remaining underspend is for the following reasons:

- 4.12 The remaining underspend of (£0.124M), is mainly due to (£44,000) underspend on DAF claims (compared to original) and (£63,000) underspend on centrally retained (as result of training now being provided directly by EY lead staff). As explained in the January 2024 EY DSG paper, the EY centrally retained team is undergoing expansion changes aligned with the expansion of the EY funding streams from April 2024, there will also be a return of £64,000 of EY DSG reserve funding now not required in 2023/24 due to the expansion changes and revised scope of the team.

EY DSG Reserve position

- 4.13 There will also be a return of £63,000 of EY DSG reserve funding now not required in 2023/24 due to the expansion changes and revised scope of the team.
- 4.14 As any EY DSG underspend will naturally fall to the EY DSG Reserve balances, this applies a total further £0.524M (£0.461M underspend + £63,000 draw down returned) into the EY DSG Reserve. And, after accounting for the agreed principle at a minimum of 5% of future EY funding to remain in the EY DSG reserve balances, provides a very financially healthy one off sum of £0.906M at the 1st April 2024 that can be utilized to support EY moving forward. The LA Early Years lead will take this forward and present the proposals to the School Forum in the Autumn term for how to utilize this funding. This will also time with any final July 2024 funding adjustments for 2023/24, which will either add or retract to this figure but as explained in 4.11 is not expected to be a material sum.

High Needs Block – (£1.323M equivalent 4.1%) underspend against in year funding allocation. Full underspend of (£2.262M) including the permanent funding held aside to support long term permanent growth and expansion in high needs.

- 4.15 As referenced, Appendix 1 displays the full 2023/24 final outturn for high needs on a line by line basis. And, as referenced in both the previous June 2023 and December 2023 EB DSG papers, an underspend on High Needs funding for 2023/24 was expected and this is in view that it is particularly awaited for new permanent funding provisions to come on stream. Although it should also be noted 2023/24 spend as a total has also increased significantly from 2022/23 and this is as referenced in the summary table below – highlighting £29.752M in service expenditure (compared to £25.803M in 2022/23 a spend growth of 15%) and on a total basis of £32.468M including agreed utilization of HN reserves in 2023/24 (compared to £25.875M in 2022/23, a spend growth of 25%).
- 4.16 It must also still remain noted, that many Local Authorities and School Forums across the country are still 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 therefore remains welcome that locally through the combined efforts of the Local Authority, Education Board and respective Schools spend has contained 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, 2022, 2023 EB DSG high needs paper, and will continue into the following June 2024 EB High Need DSG paper on a permanent basis.
- 4.17 As made reference to in the December 2023 EB DSG paper, growth in the required number of Education and Health Care plans (EHCPs) under statutory assessments have continued to grow with 1732 live plans in April 2024 (a further net growth of approx. 11% from this time last year) and there unfortunately continues to be a back log of assessments due to stretched capacity within the team (This is also a national issue not just locally). Therefore overall funding allocations to meet increased demand must be considered into the following 2024/25 EB DSG High Need funding allocation paper.

4.18 The following table summarises the current final spend (col. B) to budget position (col. A) for 2023/24 alongside previous spend forecasts.

Summary Heading	2023/24 Final Budget A	2023/24 Opening Forecast (June 23)	2023/24 Current forecast (Dec 23)	2023/24 Final Spend B	2023/24 Final Variance B - A	2022/23 Final Spend
Place funding	£9.209m	£8.865m	£9.019m	£9.034m	(£0.175m)	£8.546m
Special and PRU/AP top up funding	£9.322m	£9.137m	£9.276m	£9.293m	(£0.028m)	£7.459m
Subtotal	£18.531m	£18.002m	£18.295m	£18.327m	(£0.204m)	£16.004m
Schools, early years, post-16 top up funding	£5.930m	£5.930m	£6.085m	£5.931m	£0.001m	£4.916m
Independent Providers	£3.000m	£3.000m	£3.000m	£2.810m	(£0.190m)	£3.038m
Other HN Provisions	£3.864m	£3.614m	£3.271m	£2.684m	(£1.180m)	£1.845m
Total services line total	£31.325m	£30.546m	£30.651m	£29.752m	(£1.573m)	£25.803m
Funding allocations to support required future permanent growth in high need provision	£1.046m	£0.700m	£0.480m	£0.107m	(£0.939m)	£0.072m
One off funding - funded from HN DSG reserves	£2.609m	£2.750m	£2.750m	£2.609m	-	
Final in year deficit balance (falling to DSG Reserves) – as explained in the Oct 23 DSG paper – set against total service expenditure	(£0.249m)				£0.249m	
Total*	£34.730m	£33.996m	£33.881m	£32.468m	(£2.262m)	£25.875m

Total* - Note, this total excludes the now annual £100k HN DSG funding attached to the EY DSG SEND Inclusion Fund

4.19 To remind, 2023/24 saw our local DSG high need funding grow by a further circa additional £2.9M through the DfE high needs funding formulae from 2022/23, and that since 2018/19 the recurrent budget allocation has also now increased by 72.9% to £32.2M in 2023/24 (from £18.6M in 2018/19). And actual spend provision itself into 2023/24 from 2018/19 has also increased by 76.9% with a final total spend of £32.5M – including the use of 2023/24 Reserve balances (compared to £18.4M in 2018/19).

- 4.20 2023/24 agreed and increased service expenditure on place funding and top up funding have all broadly remained within total funding allocations and close to previous forecasts, the independent provider budget as total is also only slightly underspent and when considering the volatility of this budget which many LA's will struggle on this continues to be positive news and highlights the key support of our local special schools. Therefore, there is no need to comment any further on these specific high need funding areas for 2023/24.
- 4.21 As referenced in 4.15 (and in full in Appendix 1) and as presented in the June 2023 DSG High Needs paper, it was always recognised new permanent funding of £1.4M had been held aside to support the expansion of permanent growth within the high needs block until mobilized. £0.354M was permanently mobilized during 2023/34 with increased Place and top up provision within the Special Schools and Alternative Provision (AP). A balance of £0.107M was also mobilized to support the AP Pilot schemes. The net effect of this returns a remaining underspent balance of (£0.939M) that was not mobilized during 2023/24, however this remaining permanent growth has now naturally been considered in the following June 2024 DSG High Needs paper 2024/25 paper where more detail will be covered and reflects the further required place funding and top up provisions agreed for 2024/25 from September 2024 applied to live service expenditure. In turn this balance itself will now no longer remain isolated out with the exception of the AP Pilot Schemes only to be funded from Reserves.
- 4.22 The following focuses on the main key reasons for the final service expenditure underspend in 2023/24:
- 4.22.1 (£1.180M) of the total underspend is within Other High Need funding provisions and this is also a further reduction of (£0.587M) from the last December 2023 forecast. As displayed in Appendix 1 the main area's of underspend are:
- 4.22.1.1 Hospital Education provision (£0.045M) final underspend and reduction of (£0.055M) from the previous December 2023 forecast. Again, required Hospital Education provision will be simply based on the need and demands during that year, and obviously welcome that in 2023/24 spend has been lower than budget, there was also a reduced call on this budget in the final term of 2023/24.
- 4.22.1.2 Inclusion Services (£0.376M) final underspend and increased underspend of (£0.328M) from the December 2023 forecast. Whilst some vacancies have been present in the Outreach team, spend against the Inclusion Panel funding has fallen lower than expected including less school applications than expected. It is recommended a review of this spend allocation is undertaken during 2024/25.
- 4.22.1.3 SEND Inclusion direct school support. (£0.573M) final underspend and increased underspend of (£0.170M) from the December 2023 forecast. As highlighted in the December 2023 EB DSG paper, this fund has been re-positioned to develop a centralized specialist team and an educational well being team both supporting directly the much needed Inclusion agenda. The allocation for this funding line has been updated in the following 2024/25 EB DSG HN paper. A £100,000 allocation for training grants to Schools will still remain in 2024/25 that has been awarded during 2023/24 (included relational practise training).

- 4.22.1.4 The remaining underspend of (£0.185M) and of which is a small further movement on increased (£0.034M) underspend from the December 2023 forecast, is across the Interim Tuition Service, Elective Home Education costs and Personal Budgets. Mainly impacted by vacancies during the year.
- 4.23 The High Needs underspend for 2023/24 will naturally fall to support the DSG High Need reserve balances, and of which are updated and displayed in paragraph 4.26, but it also needs to remain noted after the agreed apply use of Reserves in 2023/24. The DSG High need reserve balance opening from the 1st April 2023 and closing at the 31st March 2024 has also now slightly fallen by (£0.347M). 2024/25 Proposals including the One Off use of the HN DSG Reserve balance above the agreed recommend minimum reserve balance are considered in the following 2024/25 DSG High Needs allocation paper.

Central block – online to budget

- 4.24 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 2023 DSG paper in terms of now sustainable current spend commitments until the start of 2026/27 (so 2 years remaining 2024/25 and 2025/26) which will be funded by drawing on the remaining DSG central block reserve balances. **It is recommended**, the current suite of jointly funded Council run services funded from this provision is bought back to the School Forum in the Autumn term.

DSG funding income – £0.130M funding reclaim

- 4.25 As first shared and explained in the October 2023 DSG EB Paper, the DfE have reclaimed an additional circa (£0.130M) for DSG funds to early year balances in 2023/24 but of which relate to their final funding adjustment for 2022/23. And this technical funding adjustment is naturally applied to the EY DSG Reserve balances.

Overall Position for the 2023/24 DSG Final Outturn and reserve balances as at the 31st March 2024

- 4.26 As displayed in Appendix 1 and the table below this now reflects the final DSG reserve balances as at the 31st March 2024 which are carried forward to the 1st April 2024. 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:
- 4.26.1 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.

4.26.2 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 2023 B'fwd	11	(10)	8	1,514	9,890	506	11,919
Agreed (Issue) to* 2023/24 budget	0	33	0	(167)	(2,750)	(59)	(2,943)
Early years funding adjustments (PY)				(130)			(130)
Unspent 23/24 Reserve balance drawn				63	141		205
2023/24 Final In Year variance	6	(128)	(2)	461	2,262	0	2,598
31 March 2024	17	(105)	5	1,740	9,543	447	11,648
Agreed / Planned* (Issue) to 2024/25 budget		297		0	(4,692)	(133)	(4,529)
Recommended* Minimum Reserve balance	0	192	5	835	3,397	313	4,742
One off Remaining Funding Available for DSG Conditional Use				906	1,454		2,359

*Agreed / Panned (Issue) to 202425 budget – Central Block commitments at the December 2020 and 2024 EB, and High Needs drawn reflects the proposed draw down allocation in the following High Needs 2024 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 2023/24 financial position for DSG balances now returning a total final DSG surplus reserve balance of £11.648M (equivalent 6.2% of total 2023/24 DSG funding £189.300M) to be rolled forward into 2024/25 at the 31st March 2024. But with note, after accounting for approved and planned one off funding draw downs in 2024/25 and recommended minimum reserve balances, their currently now only remains a one off reverse balance of £2.359M available for one off future DSG and available conditional use (equivalent 1.2% of total 2024/25 DSG Funding), with further proposals for the use of the EY Reserves balance to be presented in the Autumn 2024.
- 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 (but also in recognition to the funding challenges that remain in Schools directly) . 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 Final Outturn 2023/24