

SCHOOLS FORUM

Subject	DSG Settlement and Draft Budget for 2023-24
Meeting Date	16 January 2023
Status	Public Report
Executive Summary	<p>1. The DSG Settlement for 2023-24 was received on 16 December 2022. Compared with 2022-23 it provided a 6.4% increase in funding overall:</p> <ul style="list-style-type: none"> a. Indicative allocations for the early years block reflecting increased unit values of 5% for 2 year olds and 5.2% for 3&4 year olds. b. Final allocations for the school's block based on the October 2022 schools census with the increase in funding through the schools NFF at £6 million (2.5%). Higher funding values account for £3.7 million (1.5%) as reported in November, with additional pupils at census providing a further £2.3 million (1.0%). Funding for in-year pupil growth at September 2023, has decreased by £43,000 compared with last year. c. A supplementary grant for mainstream schools was announced in the Autumn statement. The £8.5 million for BCP is equivalent to a further funding increase of 3.5%, bringing the mainstream schools increase to 6.0% overall. d. Allocations for the central school services block provide a reduction compared with last year of £12,000 for on-going LA functions with previous levels of funding not yet restored for historic commitments. e. Indicative allocations for the high needs block are for an increase of £5.2 million (9.7%). This includes the supplementary grant for high needs providers of £2.4 million announced in the Autumn Statement. <p>2. A draft DSG budget is provided in the Appendix to provide context for decisions on the meeting agenda. The funding gap for high needs pupils is projected to grow to £27 million in 2023/24.</p>
Recommendations	To note the contents of the report.
Reasons for Recommendations	Other papers on the agenda consider the impact of the Settlement and DSG budget in detail.
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Wards	Council-wide
Classification	For Information

2023-24 DSG Settlement on 16 December 2022

- The December Settlement information for 2023-24 compared with the current year is included in Table 1 below:

Table 1 – DSG December Settlement 2023-24

Funding Block	Equivalent	Announced	Annual Change	%
	2022-23	2023-24		
	£000's	£000's	£000's	
Early Years				
2-year olds Entitlement	2,309	2,424	115	5.0%
3-year olds Entitlement	18,124	19,146	1,022	5.2%
22/23 subsumed schools teacher's pay grant	78	0	-78	
Pupil Premium	172	177	5	2.9%
Disability Access Fund (DAF)	101	118	17	16.8%
Total Early Years (DfE estimated)	20,784	21,865	1,081	5.2%
Schools Block				
Primary	120,330	123,571		
Secondary	114,240	124,028		
22/23 Supplementary grant (not part of DSG)	6,965	<i>subsumed above</i>		
NFF available for local formula	241,535	247,599	6,064	2.5%
23/24 Supplementary grant (not part of DSG)		8,473	8,473	3.5%
Total NFF + Supplementary Grant	241,535	256,072	14,537	6.0%
Premises	1,699	1,705	6	0.4%
Growth	1,839	1,796	-43	-2.3%
Total Schools (final)	245,073	259,573	14,500	5.9%
Central School Services				
NFF	1,745	1,733	-12	-0.7%
Commitments	291	233	-58	-20.0%
Total Central School Services	2,036	1,965	-71	-3.5%
High Needs (gross*)				
NFF	54,010	56,868	2,858	5.3%
23/24 Supplementary grant		2,373	2,373	4.4%
Total High Needs	54,010	59,240	5,230	9.7%
Total Funding	321,903	342,644	20,741	6.4%

*Place funding of £6.2 million is deducted in net allocation tables

Early Years Block

2. The published information includes indicative allocations only and these will be updated in summer 2023 and 2024 based on future data returns.
3. The early years estimates for both 2022-23 and 2023-24 use the same census data. The growth in funding for those aged 2, 3 and 4 in table 1, therefore, represents the hourly funding increase announced for each age. The BCP increases of circa 5% are both ahead of the national averages of 4% for 2 year olds and 3.4% for those aged 3&4.
4. The early years funding rate for the 3&4 year old entitlement has subsumed the teacher's pay grants previously paid separately to schools with nursery classes. This grant was allocated by government to support exceptional pay and pensions costs for teachers.
5. The early years funding will be updated from census take up of free entitlement hours in January 2023 and January 2024 with all funding being finalised in summer 2024.

Schools Block

6. School Block allocations are now final for 2023-24 with the mainstream school NFF allocations updated to reflect pupil numbers at the October 2022 census and with growth fund allocations determined according to the national approach.
7. Compared with 2022-23 the increase in the NFF total is £6 million (2.5%). This comprises £3.7 million (1.5%) from the increase in unit values (as shown in the consultation report) with a further £2.3 million (1%) from rising pupil numbers as shown in Table 2 below.

Table 2: Mainstream Schools Final NFF 2023-24

	Consultation Report (based on October 21 census)			December Settlement (based on October 2022 census)			Change
	Pupil Numbers	Unit Value £	Funding £000's	Pupil Numbers	Unit Value £	Funding £000's	Funding £000's
Primary	27,580	4,543.63	125,313	27,196	4,543.63	123,571	
Secondary	19,736	6,078.32	119,962	20,405	6,078.32	124,028	
Total NFF	47,316		245,275	47,601		247,599	2,324

8. The October 2022 census contained an additional 285 pupils (0.6% increase) compared with the previous year, comprising 384 fewer primary and 669 more secondary pupils. Secondary growth is expected to continue in September 2023. The growth fund proposals in a separate paper consider how this in-year growth is to be funded. DSG funding for growth has reduced by £43,000 compared with the current year.
9. Updated school data from the October 2022 census is not reflected in the NFF primary and secondary units of funding until 2024-25. The school level census data used to calculate individual school budgets arrived also in December with options for the formula evaluated and considered further in a separate paper on the agenda.

Mainstream Schools Additional Grant (MSAG)

10. In 2023-24 mainstream schools will be allocated additional funding through the mainstream schools additional grant (MSAG). This is in addition to schools' allocations through the schools national funding formula. School-level allocations will be announced in May 2023.

11. The MSAG will fund the 5 to 16-year-old age range in primary, secondary and all-through schools. Payments will be made in May 2023 for local authorities, and June 2023 for academies, to cover April to August 2023; and in October 2023 for local authorities, and November 2023 for academies, to cover September 2023 to March 2024.
12. The separate grant will be for 2023-24 only and will then be incorporated into core budget allocations for 2024-25 through the NFF.
13. Academies will receive an additional allocation of the MSAG to cover April to August 2024 as this period is in advance of the funding being rolled into their core budget allocations through the NFF. This will be allocated using the same rates and pupil numbers as the 2023-24 grant and be pro rata for five-twelfths.
14. Schools will have the flexibility to prioritise their spending of the MSAG to best support the needs of their pupils and staff and address cost pressures.
15. The funding rates consist of the following 3 elements, which are based on factors already in the schools national funding formula:
 - a basic per-pupil rate (with different rates for primary, key stage 3 and key stage 4)
 - a lump sum paid to all schools, regardless of pupil numbers
 - a per-pupil rate for pupils who are recorded as having been eligible for free school meals at any point in the last six years (FSM6), with different rates for primary and secondary pupils.
16. The funding rates will be:
 - a basic per-pupil rate of £119 for primary pupils, including pupils in reception
 - a basic per-pupil rate of £168 for key stage 3 pupils
 - a basic per-pupil rate of £190 for key stage 4 pupils
 - a lump sum of £4,510
 - an FSM6 per-pupil rate of £104 per eligible primary pupil
 - an FSM6 per-pupil rate of £152 per eligible secondary pupil
17. Schools that have opened in the past 7 years and are still adding year groups in the 2023-24 academic year, will be funded based on the estimated pupil numbers as recorded in their respective local authority's 2023-24 authority proforma tool (APT). This data is used for their first payment of the MSAG in spring 2023. For these 'new and growing' schools the second payment of the MSAG will determine whether a retrospective adjustment is required to bring the initial funding allocations into line with the actual pupil numbers that the schools record in the autumn 2023 (October) school census. These schools will receive this second payment of MSAG by February 2024, to allow sufficient time to process the autumn 2023 census data. If the 'new and growing' school is an academy, the third and final payment of the MSAG (to cover the period April 2024 to August 2024) will also include this adjustment, again based on autumn 2023 (October) pupil numbers.

Central School Services Block (CSSB)

18. The funding rate for the CSSB for on-going functions has reduced to £36.40 per pupil as announced in July with the growth in pupil numbers limiting the reduction between years to £12,000.
19. The funding for historic commitments has not yet been restored to previous levels following provision of evidence of expenditure and further consideration by the ESFA.

High Needs Block

20. Indicative high needs block allocations were announced in July at £56.6 million, with changes made in December to reflect the autumn place return increasing the high needs NFF to £56.9 million, an increase between years of 5.3%. The additional £0.3 million is due to the continued rise in the number of pupils with an EHCP. The final adjustment to reflect the cross-border flow of pupils based on the January 2023 census will be made in summer 2023.

Minimum Funding Guarantee (MFG) for Specialist Providers

21. The local authority, in deciding on top-up funding rates for the pupils to be placed in its maintained special schools, special academies it previously maintained and special free schools located in its area, must increase the budget of any special school such that it would be at least 3% higher in financial year 2023-24 than in financial year 2021-22, (if all the pupils in the special school were placed by the local authority, and the number and type of places remained the same in the two financial years 2021-22 and 2023-24). The local authority can apply to the Secretary of State to set a lower percentage instead.
22. As last year, the local authority must pass on to maintained special schools, special academies and free schools, pupil referral units, alternative provision (AP) academies and free schools, and hospital schools and academies:
 - a. the 12 month equivalent of teachers' pay grant and teachers' pension employer contribution grant allocated per place by the local authority for the period September 2020 to March 2021, using the place numbers funded by the local authority in the period April 2022 to March 2023, subject to a minimum of 40 places per school
 - b. the 12 month equivalent of the teachers pensions supplementary fund allocated by the local authority to those settings for the period September 2020 to March 2021.
23. The above funding is separate from both place and top-up funding and must not result in a reduction to the number of places for which £10,000 per place is allocated to a school, or the amount per place allocated to a hospital school, or to the top-up funding in respect of individual pupils allocated to a special school or academy; and must be disregarded in applying the MFG protection for special schools. The local authority can apply to the Secretary of State to waive this requirement.

High Needs Block Supplementary Grant

24. The Autumn statement provided an additional 4.4% at £2.4 million for the high needs block in 2023-24. Further conditions of grant are attached to the allocations.
25. Local authorities must use part of this funding to make allocations to all those special schools and pupil referral units (PRUs) that they maintain, all special and alternative provision (AP) academies that they previously maintained, and all special and AP academies and free schools that were not previously maintained but within their area. These are referred to in the conditions of grant as "the schools". This definition includes maintained hospital schools and medical PRUs, and their academy equivalents.
26. Local authorities must separately identify these allocations for the schools and pay them directly to the school, or in the case of academies and free schools to the academy trust. The payments must be made in full during the financial year 2023-24.
27. Money paid through these allocations does not count towards the requirements of the minimum funding guarantee for special schools and is to be in addition to the high needs equivalent of the teachers' pay and pension grant noted above.

28. Local authorities must base the allocations on the number of places that they fund at the school in the academic year 2022-23, unless a revised number of places has been agreed with the school for the academic year 2023-24, in which case that number is used to calculate seven twelfths of the allocation.
29. Local authorities must make an allocation that is equivalent to 3.4% of the estimated total grant funding of the school, calculated as in the paragraphs below.
 - a. For maintained special schools, special academies and special free schools, local authorities must make this calculation through estimating the total funding of each school by multiplying the number of places set out in the paragraph above by £10,000 (or, in the case of hospital schools, the funding per place that the local authority gave in the financial year 2022-23) plus the average top-up funding per pupil that the local authority gave the school in the financial year 2022-23.
 - b. For PRUs, AP academies and AP free schools, local authorities must take the total grant funding for the school from the latest Academy Accounts Return (AAR) or Consistent Financial Reporting (CFR) return published on the Schools Financial Benchmarking (SFB) website. ESFA will publish a table covering all AP institutions on the SFB site for this purpose. For new schools that have no AAR or CFR return, Local authorities must estimate the expected total grant funding.
 - c. Local authorities may increase the number of places used for calculating the allocation, or their estimate of the total funding of the school, where they believe it will be significantly higher in 2023-24, such as for new and growing schools or where Covid affected grant income on the AAR or CFR.
 - d. Local authorities may reduce the number of places used for calculating the allocation, or their estimate of the total funding of the school, where they believe it does not accurately represent the school's real position, with consent of the Secretary of State.
 - e. Local authorities must consult each school before finalising its allocation.

Draft DSG Budget 2023-24

30. The Appendix includes an illustrative draft budget for 2023-24 with the budget and year end forecast for 2022-23 shown for comparison. Note that the high needs DSG funding shortfall for 2023-24 is projected at £27.1 million. This compares with the projected 2022-23 gap of £16.3 million.
31. The assumptions in the draft budget for 2023-24 include:
 - a. the growth fund is shown using the recommended option within the school funding consultation paper on the meeting agenda. If an alternative is agreed, then the amount of the school's block surplus would change by an equivalent amount.
 - b. new high needs places are delivered in the year as planned.
 - c. the high needs adjustment in summer 2023 will be minimal and not change the funding gap (funding could increase or decrease dependent on high needs placements at January 2023).
 - d. no funding transfer from mainstream schools has been included.
 - e. the central schools services block is set at the level of funding.
 - f. the early years block continues a central retention for council budgets at the same level as last year.

32. The above assumptions provide an annual high needs budget gap of £27.1 million without:
 - a. a transfer of funding from the schools block.
 - b. further cuts to high needs services (for example, outreach) which may be considered during the year
 - c. further activities to reduce the budget requirement.
33. The budgets within CCSB expenditure are consistent with the separate report on the meeting agenda for approval.

2022-23 DSG Budget Monitoring at Quarter 3

34. The 2022-23 budget monitoring position at the end of December 2022 is a forecast in-year deficit of £16.3 million compared with the budgeted deficit of £16.7 million.
35. DSG funding has not changed since the December report with a shortfall compared with budget of £0.5 million. The largest element is reduced funding for high needs of £0.3 million from the July import/export adjustment.
36. The previously forecast underspend on high needs expenditure has reduced from £1.5 million in the December report to £0.9 million. The increase in forecast costs is due to greater use of bespoke SEN placements and therapies.
37. The previously forecast net DSG saving of £1 million has therefore reduced to £0.4 million.

DSG Cumulative Deficit

38. The DfE has recognised that historically there has been insufficient funding in the high needs block to implement the 2014 policy reforms. Although councils are not permitted to add funds from their own resources (without government approval) to clear a DSG deficit they are expected to manage the account and bring it into balance in the longer term. Although it is widely acknowledged that “Local Authorities have all the responsibility for maintaining high needs expenditure within budget, and yet have almost no hard levers within which to effect this”.
39. There is currently a projected DSG deficit at the end of March 2023 of £36.6 million, rising to £63.7 million at March 2024 with the addition of projected budget shortfall for 2023-24.

Table 3: Summary position for dedicated schools grant at march 2023 and 2024

	£m
Accumulated deficit 1 April 2022	20.3
Budgeted high needs shortfall 2020/21	16.7
Projected savings	(0.4)
Projected deficit 31 March 2023	36.6
Projected high needs funding shortfall 2023/24	27.1
Projected deficit 31 March 2024	63.7

40. The DfE has been undertaking reviews of local authorities high needs budgets in seeking to understand and then deal with the problem of rising DSG deficits.

41. Initially the government instigated the Safety Valve Programme to review the deficits of the 5 authorities with the highest cumulative deficits. This was later expanded to include a further 9 with the next highest. The outcome was that these authorities were told to make structural reforms to their special educational needs and disabilities (SEND) services in exchange for a government contribution towards their accumulated and projected deficits on their DSG. BCP Council was not invited to be part of the Safety Value mechanism because at the time our deficit compared to our dedicated schools grant was not one of the highest.
42. In the meantime, other local authorities have seen their DSG deficits become large and unsustainable resulting in the DfE voluntary Delivering Better Values (DBV) in SEND programme. The separate report on the meeting agenda provides more details of the programme and the outcome for BCP of the first phase of the work.
43. As part of the diagnostic work, the assumptions underpinning our DSG deficit projections reported last year were refined and updated, including to take account of the higher current rate of EHCP growth, new plans developed to create additional places and other initiatives to reduce budget growth. Unfortunately, the diagnostic did not find a way to balance even the in-year position in any year over the next 5 years with projected savings (compared with taking no action) relatively small over this time frame. The overall picture has not changed significantly compared with the council's own forecast last year.

Accounting Statutory Override

44. Due to the accumulating deficit on our Dedicated Schools Grant, BCP Council is projected to have negative reserves by the 31 March 2024. Any private sector organisation which has negative reserves on its balance sheet, are likely to fail the "going concern" accounting concept. However, this concept cannot apply to local authorities, which in essence are unable to fail financially.
45. However, to mitigate this position the government issued a DSG statutory override by way of a statutory instrument (SI) which became law at the end of November 2020. This SI means the council cannot contribute to the deficit, cannot hold a reserve to act as a counterweight and has been required to move the deficit to an unusable reserve where it will sit as though it did not exist.
46. On the 12 December 2022 as part of a local government finance policy statement government announced the extension of the DSG statutory override for a one-off period of three years up to 31 March 2026.
47. At the end of the three-year extension BCP Council is currently forecast to have an accumulated deficit of between £100m and £150m which either the government, the council, schools, or in combination will need to finance
48. There continues to be a risk that projected costs will rise further with activities to reduce budget demand not delivering outcomes as required.

Legal Implications

49. Schools Forum must be advised of the DSG Settlement for 2023-24 and consider the budget needed to meet the needs of all pupils.

Summary of human resources/sustainability/public health implications

50. None

Summary of equality implications

51. An equalities impact assessment has not been undertaken as this in an information report.

Summary of risk assessment

52. The main risk within the DSG relates is the high needs funding gap for which there is currently no government solution.

Background Papers

School Funding Announcements 2023-24

<https://www.gov.uk/government/publications/dedicated-schools-grant-dsg-2023-to-2024>

