

DEDICATED SCHOOLS GRANT 2023-24: BUDGET PLANNING

REPORT OF THE DIRECTOR OF FINANCE & PUBLIC VALUE AND INTERIM DIRECTOR OF CHILDREN AND YOUNG PEOPLE'S FUTURES

RECOMMENDATIONS

It is recommended that DEF:

- a) Specifically approve the reduction of the size of the growth fund from £2.8 million for 2023-24 to £1.8 million in line with the 2023-24 spending forecast.
All to Vote
- b) Specifically approve use of the balance from the reduction of size the growth fund for 2023-24 against the shortfall of £970,000 in Schools Funding that remains after reducing the Sparsity Factor to £47,300 for Primary and £72,900 for Secondary.
All to Vote

For information

This report will cover

1. DSG Settlement 2023-24
2. Schools Block
3. Central School Services Block
4. High Needs Block
5. Early Years Block
6. Other Schools Grants
7. DSG Deficit & Management Plan

1. DSG Settlement 2023-24

1.1. On the 16 December 2022 the Education and Skills Funding Agency (ESFA) announced the Dedicated Schools Grant allocations for 2023-24

- 1.2. In addition, it was announced in the 2022 Autumn Statement that the core schools budget will increase over and above totals previously announced at the Spending Review 2021. This funding will be allocated separately to schools in the form of the Mainstream Schools Additional Grant (MSAG).
- 1.3. Note that the final allocations will be adjusted through the year for recoupment academies and the updated Early Year's census. Individual maintained school budget allocations will be confirmed by 28th February 2022 following ratification by the ESFA; Academies will receive their notifications directly from the ESFA.

2. Schools Block

- 2.1. The Schools Block allocation for 2023-24 is £500.4 million, which includes £2.8 million for Growth Fund and the rolling in of the £14 million Schools Supplementary Grant announced in the 2021 spending review.
- 2.2. The National Non-Domestic Rates (NNDR) at present will continue to be paid by Schools rather than direct arrangement with the DfE as Teignbridge DC does not want to put procedures in place for April 2023. Guidance states that in 2 tier local authorities all billing authorities need to agree to implement the changes. If mutual consent is not reached it will not be possible for any billing authority to adopt the revised payment process.
- 2.3. As part of the consultation, it was agreed that schools would see funding per the National Funding Formula (NFF) levels for 2023-24 –
 - Minimum Funding Guarantee (MFG) for 2022-23 is set at 0%
 - Increase sparsity values to meet the NFF rates of £56,300 for primary and £81,900 for secondary and all-through schools.
 - 2.4% to the Basic entitlement, Low prior attainment, free school meals (FSM), English as an additional language (EAL), mobility and the lump sum.
 - 4.3% to free school meals at any time in the last 6 years (FSM6), IDACI,
 - 0.5% to the floor and the minimum per pupil levels
- 2.4. Within the consultation we also sought direction that if the funding received in the final settlement was lower than expected that we would adjust the Sparsity factor as the only one that was not currently at the NFF level. In this scenario we had built in a need to reduce the rate to fund a shortfall of £350,000 (assumption based on 2022-23 settlement)
- 2.5. However, the funding settlement received is £2 million below a fully funded model of the NFF and to ensure that the block remains within its funding envelop the following actions need to take place.
- 2.6. The Sparsity factor will need to reduce to £47,300 for Primary and £72,900 for Secondary. This recognises that the LA must move the local formula factor values at least 10% closer to the NFF unless already mirroring.
- 2.7. This still leaves a shortfall of £970,000 which needs to be met from the Schools Block.

2.8. The two options of meeting this shortfall are

- Reduce the size of the Growth Fund to £1.8 million (in line with 2023-24 spending forecast) realising an in year transfer to schools to cover the shortfall. This will see 146 schools affected with a maximum funding reduction of £9,000.
- Reduce the Basic Entitlement factors by 0.36% across Primary and Secondary. This will see 295 schools affected with the top 10 worst affected being secondary schools ranging from £21,000 to £35,000. Those with a budget shift greater than 2% from the fully funded model is predominantly linked to the Sparsity factor change rather than the reduction to Basic Entitlement.

Recommendation

2.9. That Schools Forum approve the reduction the size of the growth fund from £2.8 million for 2023-24 to £1.8 million in line with the spending forecast.

2.10. That Schools Forum endorse the use of the balance from the reduction of the growth fund to maintain the funding levels across the majority of schools. Therefore seeing changes from the indicative values where the sparsity factor has needed to be reduced to meet the funding envelope.

3. Central School Services Block

3.1. The Central Schools Service Block recognises the Ongoing Responsibilities of Education Services Grant (ESG), Admissions, Copyrights and Schools Forum along with Historic Commitments for Termination of Employment Costs.

3.2. In 2023-24 the DfE have reduced the Historic Commitments by a further 20%, however as with the previous two years Devon has applied for a disapplication to remove this reduction to ensure that the Termination of Employment costs remain funded for the coming year of £873,000. This will be confirmed in the March DSG.

4. High Needs Block

4.1. The High Needs Block settlement is £112.2 million for 2023-24 which includes the additional £4.4 million announced as part of the 2022 autumn statement. High needs though continues to be under considerable budgetary pressure even after receiving this additional funding.

4.2. The budget required to meet current HNB demand and agreed future growth with the service is £160.4 million before management actions of £20.6 million.

4.3. The 3 main areas of funding within the block after management actions are:

- Independent Special Schools (£50 million)
- Maintained & Academy Special Schools (£41.5 million)

- SEN Mainstream (including FE) (£30 million)

4.4. **Independent special schools.**

The budget has been set on 1,240 sole funded placements at an average cost of £49,078, allowing for in year movement and built into this as part of the overall management plan are actions of £12.6 million.

4.5. **Maintained & Academy Special Schools.**

Part of the management plan is to invest in our maintained special schools to increase our own capacity to meet growing demand for placements in this type of provision. Overall, the budgeted places have increased to 1,731 in 2023-24 from 1,610 in 2022-23, with an average cost of £23,606. Management actions of £3.7 million are included within the budget.

4.6. **SEN Mainstream (including FE)**

Pre-16 Mainstream has seen a fall in the number of EHCPs from 2,593 to 2,448 for 2023-24 with Plus Packages increasing from 879 to 1,103 resulting in a £3.8 million increase overall. Whilst, FE Mainstream has seen an increase in the number of EHCPs from 797 to 879 for 2023-24 resulting in a £1.1 million increase. These have been offset by management actions of £4.3 million.

5. **Early Years Block**

5.1. The Early Years Block allocation is £43.5 million for 2023-24.

5.2. The formula allocates funding to local authorities for the existing 15-hour entitlement for all 3- and 4-year olds and the additional 15 hours for 3- and 4- year old children of eligible working parents. The funding rates for both entitlements have seen a rise of 26p per hour, whilst the 2-year old funding has seen an additional 8p.

5.3. From April 2023 Devon will be funded at £4.87 per hour for 3- and 4-year olds (national average of £5.29) and £5.65 for 2-year olds (national average of £6.00).

6. **Other Schools Grants**

6.1. **Mainstream Schools Additional Grant**

On 16th December 2022 the DfE published the methodology for allocating this funding. Indicative Local Authority Level initial allocations advise an additional £17 million (3.4%) in Mainstream Schools Additional Grant (MSAG) funding for Devon schools. This will be passed direct to schools and is intended to be used to pay for the increased teacher and staff pay awards and the rise in utilities. This is a one year grant and is expected to be rolled into the baseline for 2024-25.

6.2. **Pupil Premium**

The illustrative budget is £28.8 million. The funding rates for Pupil Premium remain the same as for 2022-23. Allocations for 2023-24 are expected to be announced in the new year.

6.3. **Other Grants**

Universal Infant Free School Meals (UIFSM), PE & Sports Premium and Teachers Pay and Pensions Grants are based on the latest available data for 2022-23 and we will be notified of further details by the ESFA in the new year.

7. **DSG Deficit & Management Plan**

- 7.1. As part of budget preparation, we are projecting to see the Dedicated Schools Grant (DSG) deficit increase by a further £27 million. The main reasons are the increasing volume of requests still being seen from schools and the continued demand being put on the service for SEN placements.
- 7.2. The current projection to March 2023 is a cumulative DSG deficit of £127 million and when the 2023-24 projected deficit is added to this the cumulative deficit is just under £155 million by March 2024.
- 7.3. The Authority is very concerned over the ability to reduce this pressure and bring this back to a balance budget over the coming years. This could have a considerable impact on future education budgets within the DSG as well as impacting on the financial stability for Devon County Council.
- 7.4. A management plan was submitted in February 2022 to the DfE as part of the 2nd tranche of the Safety Valve Intervention Programme and continued follow ups with them have taken place to progress the decision forward since the delays over the summer and autumn with government changes taking place.
- 7.5. Children's Service and Finance are continuing to work on updating the management plan and it is necessary to engage with the High Needs sub group and oversight groups to make deeper changes to ensure stability of the service long term.
- 7.6. Within the budget for 2023-24 are management actions totalling just over £20.6 million.

8. **Recommendations**

It is recommended that DEF:

- 8.1. Specifically approve the reduction of the size of the growth fund from £2.8 million for 2023-24 to £1.8 million in line with the 2023-24 spending forecast.

All to Vote

8.2. Specifically approve use of the balance from the reduction of size the growth fund for 2023-24 against the shortfall of £970,000 in Schools Funding that remains after reducing the Sparsity Factor to £47,300 for Primary and £72,900 for Secondary.

All to Vote

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