

Report to:	SCHOOLS' FORUM
Date:	20 June 2023
Reporting Officer:	Ashley Hughes – Director of Resources Jane Sowerby – Assistant Director of Education
Subject:	DEDICATED SCHOOLS GRANT OUTTURN 2022-23 AND BUDGET UPDATE 2023-24
Report Summary:	A report on the Dedicated Schools Grant (DSG) outturn position for 2022-23 and an update of the budget position for the financial year 2023-24.
Recommendations:	Members of the Schools Forum are requested to note and support the contents of the report.
Corporate Plan:	Education finances significantly support the Starting Well agenda to provide the very best start in life where children are ready to learn and encouraged to thrive and develop, and supporting aspiration and hope through learning and moving with confidence from childhood to adulthood.
Policy Implications:	In line with financial policy and framework
Financial Implications: (Authorised by the statutory Section 151 Officer & Chief Finance Officer)	The Dedicated Schools Grant is a ring fenced grant solely for the purposes of schools and pupil related expenditure. The outturn position for 2022-23 resulted in a deficit on the overall DSG of £3.306m. The current projection for 2023-24 is estimated to be an in year deficit of £2.540m which would give an overall deficit on the DSG of £5.846m. Work continues to seek to resolve the deficit position. Tameside is part of the Delivering Better Value program with DfE Advisors.
Legal Implications: (Authorised by the Borough Solicitor)	As set out in the report the Dedicated Schools Grant is a ring fenced grant for the purpose of schools and pupil related expenditure. In addition, the terms of the grant stipulates how the funding is to be managed as well as allocated. As there remains a projected overall deficit continued robust financial management and monitoring is essential.
Risk Management:	The correct accounting treatment of the Dedicated Schools Grant is a condition of the grant and procedures exist in budget monitoring and the closure of accounts to ensure that this is achieved. The Council is responsible for the effective administration and management of the DSG. The cumulative deficit brought forward from 2022-23 and the increase in the deficit at the end of 2023-24 is subject to a deficit recovery plan with the DfE. There is a risk that this may impact on the effective support and education of our most vulnerable children.

Access to Information:

Non-Confidential

This report does not contain information, which warrants its consideration in the absence of the press or members of the public.

Background Information:

The background papers relating to this report can be inspected by contacting Jerome Francis – Finance Business Partner, Financial Management, Children’s and Safeguarding Services



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1. INTRODUCTION

- 1.1 This report is presented to advise Schools Forum of the outturn position for the overall Dedicated Schools Grant (DSG) in 2022-23, to provide an update on the DSG budget for 2023-24 and the DSG reserve position. The report sets out:
- The outturn position for the DSG for 2022-23 (Section 2)
 - A budget update for the DSG for 2023-24 (Section 3)
 - The DSG reserve position as 31 March 2023 and the estimated DSG reserve position at 31 March 2024 (Section 4)
 - Additional school funding updates (Section 5)

2. DSG OUTTURN POSITION FOR 2022-23

- 2.1 The outturn position against the 2022-23 DSG settlement is included in **Table 1**.

TABLE 1 – DSG Outturn 2022-23

DSG Funding Blocks	DSG Settlement 2022-23 at Mar 2023 £m	Block Transfer 2022-23 £m	Revised DSG 2022-23 £m	Distribution / Spend 2022-23 £m	(Surplus) / Deficit £m
Schools Block	190.743	(0.954)	189.789	189.436	(0.353)
Central School Services Block	1.182	0	1.182	1.182	0
High Needs Block	32.843	0.954	33.796	34.814	1.018
Early Years Block confirmed funding	17.307	0	17.307	16.690	(0.617)
Early Years Block estimated funding adjustment	(0.016)		(0.016)	0	0.016
Total	242.059	0	242.059	242.122	0.063

Note: the above table includes rounding's

- 2.2 The surplus of (£0.353m) on the Schools Block relates to (£0.355m) unallocated growth, a minor variation of (£1k) on an academy conversion offset by a £3k retrospective business rates charge. The growth allocation is based on pupil numbers at the October 2022 census point and the figures have been updated to reflect this. It is proposed that any surplus on the Schools Block contributes to the DSG deficit.
- 2.3 The High Needs Block continues to be under significant pressure with a closing in year deficit for 2022-23 of £1.972m, which reduces to £1.018m with the (£0.954m) Schools Block transfer. Further information on high needs spending and the Deficit Recovery Plan is provided in a separate agenda item.
- 2.4 The surplus on the Early Years Block is currently (£0.617m), which relates to (£0.614m) in-year surplus and (£4,000) additional funding from the final 2021-22 Early Years allocation from DfE. It is estimated there will be a funding reduction of £0.016m in relation to the 2022-23 financial year as the final settlement will be adjusted based on the early years census data from January 2023. The final early year's settlement for 2022-23 will be announced in July/August 2023. This would result in an overall surplus on early years of £0.601m. This surplus contributes to the overall DSG deficit.
- 2.5 A detailed breakdown of the Early Years Block for 2022-23 is included in Table 2.

TABLE 2 – Early Years Outturn (Provisional) 2022-23

Early Years Funding Block	Early Years DSG Settlement 2022-23 at Mar 2023 £m	Distribution / Spend 2022-23 £m	Outturn (Surplus) / Deficit £m	Estimated Funding Adjustment for 2022-23 £m	Estimated Final Outturn (Surplus) / Deficit £m
3 and 4 Year Olds Universal Entitlement	8.756	8.528	(0.228)	0.019	(0.247)
3 and 4 Year Olds Extended Entitlement	4.291	4.115	(0.176)	0.070	(0.246)
2 Year Olds	2.761	2.573	(0.188)	(0.105)	(0.084)
Early Years Pupil Premium	0.201	0.227	0.026	-	0.026
Disability Access Fund	0.094	0.066	(0.028)	-	(0.028)
Central Retention	0.764	0.615	(0.149)	-	(0.149)
SEN Inclusion Fund	0.439	0.566	0.127	-	0.127
Total	17.307	16.690	(0.617)	(0.016)	(0.601)

Note: the above table includes rounding's

- 2.6 The distribution / spend is based on the actual payments made to providers for the summer, autumn and spring terms for 2, 3 and 4 year olds. The estimated final outturn indicates underspends of (£0.494m) for 3 & 4 year olds, (£0.084m) for 2 year olds and (£0.028m) for the Disability Access Fund, and an overspend of £0.026m on early years pupil premium.
- 2.7 The reduction in participation for 3 and 4 years olds is partly due to the birth rate reducing but take up of places has also dropped. Historically Tameside has seen a high level of take up at approx. 98% but more recently, this is closer to 95% based on the latest census information. Participation of 2 year olds in Tameside is actually increasing but the DfE target number of potentially eligible families has reduced. This is a combination of reducing birth rates and a reduction in those being identified as eligible (from the DfE target data). For the 2023-24 funding formula the assumed uptake of places has been revised downward to reflect this trend.
- 2.8 The SEN Inclusion Fund has an overspend of £0.127m which is offset by an underspend of (£0.149m) on the centrally retained budget. The underspend on the centrally retained budget is mainly due to vacancies which have now either been recruited to or are in the process of being recruited to. It was agreed at Schools Forum in March 2023 to increase the 2023/24 SEN Inclusion budget as demand continues to grow in this area. This was afforded through an increase in the funding rates from DfE. This will be closely monitored throughout 2023/24 and updates will be reported to Schools Forum and Members.

3. DSG BUDGET UPDATE FOR 2023-24

- 3.1 The current DSG settlement for 2023-24 and forecast distribution / spend is included in **Table 3**.

TABLE 3 – DSG Forecast 2023-24

DSG Funding Blocks	DSG Settlement 2023-24 at Mar 2023 £m	Block Transfer 2023-24 £m	Revised DSG 2023-24 £m	Forecast Distribution / Spend 2023-24 £m	Forecast (Surplus) / Deficit £m
Schools Block	201.052	(0.694)	200.358	200.349	(0.010)
Central School Services Block	1.249	0	1.249	1.249	0
High Needs Block	37.144	0.694	37.838	40.682	2.845
Early Years Block	18.082	0	18.082	17.737	(0.345)
Early Years Block estimated funding adjustment			(0.049)		0.049
Total	257.527	0	257.477	260.017	2.540

Note: the above table includes rounding's

- 3.2 As agreed with Schools Forum, the 0.345% transfer from the Schools Block to the High Needs Block of £0.694m has been actioned as shown in **Table 3**.
- 3.3 There is a forecast surplus of (£0.010m) on the Schools Block. This relates to unallocated growth. The final growth allocation is based on pupil numbers at the October 2023 census point and the figures will be updated once this has been finalised. This may impact on the current surplus forecast. It is proposed that any surplus on the Schools Block contributes to the DSG deficit.
- 3.4 The forecast in-year deficit on the High Needs Block is expected to be £3.538m, which reduces to £2.845m with the £0.694m transfer from the Schools Block. The forecast also includes £2.514m of estimated in-year growth related to increasing number of EHCP's and the planned new Resourced Bases. Further information on High Needs is included in a separate agenda item.
- 3.5 The Early Years Block is currently forecasting a surplus of (£0.345m). However, the funding settlement for Early Years will be updated in July/August 2023 and it is anticipated there will be a reduction of £0.049m to reflect the January 2023 census data. Therefore, there is an estimated surplus of £0.295m. A detailed breakdown of the estimate is included at **Table 4**.

TABLE 4 – Early Years Forecast 2023-24

Early Years Funding Block	Early Years DSG Settlement 2023-24 at Mar 2023 £m	Distribution / Spend 2023-24 £m	Outturn Surplus / (Deficit) £m	Estimated Funding Adjustment for 2023-24 £m	Estimated Forecast Outturn Surplus / (Deficit) £m
3 and 4 Year Olds Universal Entitlement	9.242	9.081	(0.161)	0.079	(0.240)
3 and 4 Year Olds Extended Entitlement	4.344	4.446	0.102	0.295	(0.193)
2 Year Olds	2.781	2.495	(0.286)	(0.424)	0.138
Early Years Pupil Premium	0.204	0.204	0	0	0
Disability Access Fund	0.132	0.132	0	0	0
Central Retention	0.813	0.813	0	0	0
SEN Inclusion Fund	0.566	0.566	0	0	0
Total	18.082	17.737	(0.345)	(0.049)	(0.295)

- 3.6 The forecast distribution/spend for 3 and 4 year old universal and extended entitlements and 2 year olds is based on the estimated participation for 2023-24. When calculating the base rate to providers for 3 and 4 year olds for 2023-24, the decision was made to uplift the rate by the full £0.14 per hour increase we received in funding. Participation is difficult to estimate and the figures will be closely monitored throughout the year and reported to Schools Forum.
- 3.7 As stated in paragraph 2.7, participation of 2 year olds in Tameside has been increasing but again this will need to be closely monitored and updates reported to Schools Forum and Members.
- 3.8 The other areas of Early Years funding are currently forecast to be within budget and further updates will provided to Schools Forum and Members.

4. DSG RESERVE AS AT 31 MARCH 2023 AND ESTIMATED POSITION AS AT 31 MARCH 2024

- 4.1 **Table 5** provides details on the closing position of the DSG reserve for 2022-23 and the estimated position of the DSG at 31 March 2024.

TABLE 5 – DSG Reserve

	2022-23 (Surplus) / Deficit £m	2023-24 Forecast (Surplus) / Deficit £m
DSG Reserve Brought Forward	3.243	3.306
Schools Block Changes		
In year position on business rates	0.003	0
In year position on the growth fund	(0.355)	(0.010)
Minor variations	(0.002)	0
Schools Block Subtotal	(0.353)	(0.010)
In year position on High Needs Block	1.018	2.845
In year position on Early Years	(0.614)	(0.345)
Early Years 2021-22 final adjustment	(0.004)	0
Estimated Early Years Adjustments	0.016	0.049
DSG Reserve after Commitments	3.306	5.846

- 4.2 In 2022-23 the deficit increased to £3.306m, in the main this is due to the overspend on the High Needs Block as a result of the cap placed on High Needs Block funding gains which is currently 7%. There have been contributions to the reserve in year, the most significant of these relating to surplus funds in the Early Years Block, the underspend on Schools Block relating to business rates and unallocated growth.
- 4.3 If the 2023-24 forecasts materialise there would be a deficit of £5.846m on the DSG. The council is engaging with the DfE on the Delivering Better Value (DBV) programme to identify and implement high impact mitigations to reduce the High Needs Block deficit from 2023-24. The position will continue to be closely monitored and updates reported to Schools Forum and Members.

5. OTHER UPDATES

Scheme of Financing

- 5.1 Local authorities are required to publish schemes for financing schools, setting out the financial relationship between them and the schools they maintain. In April 2023 the DfE released an update to reflect current policy positions and changes in legislation relating to Income from sale of assets
- 5.2 The changes seek to clarify any proceeds from sale of school premises owned by the Local Authority are subject to the consent of Secretary of State. An extract of the revised paragraph 5.4 is attached at **Appendix 1**.
- 5.3 A copy of the updated scheme will be distributed to all maintained schools and will be updated on the council website: [Education Spending and School Finance \(tameside.gov.uk\)](https://www.tameside.gov.uk/education-spending-and-school-finance)

Implementing the direct National Funding Formula (NFF) – Government consultation response

- 5.4 Following the second Government consultation response (published April 2023) on implementation of a direct NFF the DfE has confirmed two reforms to split site and growth funding that will begin in 2024-25 financial year, with further details below.
- 5.5 In addition, the DfE also confirms in its consultation response that under a direct NFF there will be continued flexibility to transfer Schools Block funding to the High Needs budget

(although a new application process to the Secretary of State will be implemented) and that the DfE will introduce a national approach to calculating schools indicative SEND budgets that will replace the current notional High Needs calculation

5.6 A further sector engagement will follow on related funding issues such as reforms to the High Needs funding arrangements and Private Funding Initiative (PFI) funding.

5.7 The consultation also sought views on a number of other arrangements being considered as part of the transition to a direct NFF including the Minimum Funding Guarantee, the Funding Cycle, Exceptional Circumstances funding and Data Collections. Full Details can be viewed on the Government website: [Implementing the Direct National Funding Formula Government consultation response \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)

Split Site Funding

5.8 The DfE plans to allocate split site funding nationally to mainstream schools based on a formula factor made up of a 'basic eligibility' element and a 'distance eligibility' element from 2024-25. The new approach will ensure consistency and form an important part of developing the final transition to a direct NFF. Although no schools in Tameside currently qualify, details of the criteria are covered below and LA's will be asked as part of future APT submissions in January 2024 to identify and include any eligible schools.

Eligibility Criteria

- To be separated from the school's main site by a public road or railway
- To be used primarily for the education of 5 to 16-year-olds
- To share a unique reference number (URN)
- To have a building on a site that is maintained by the school

Note: Playing fields will be excluded from being eligible for split site funding

Distance Eligibility

- A distance criterion of 500 meters will apply
- A taper starting at 100 meters will apply to avoid a hard cut-off that would disadvantage schools just below the threshold

5.9 The DfE also sought views on the funding criteria and is proposing a weighted allocation based on 60% of the NFF Lump Sum Factor although this is still under review they have confirmed the split site factor value for 2024-25 will be published in July 2023 alongside the other NFF announcements.

Growth & Falling Rolls Funding

5.10 Following the outcome of the consultation the DfE plans to introduce a set of national criteria and minimum standards for the allocation of growth funding by LA's to improve consistency and predictability. The minimum requirements for 2024-25 rather than fully determined standards will allow LA's flexibility where commitments for growth funding have already been made for a number of future years.

5.11 There will also be revisions to the NFF's current growth allocation methodology used to allocate funding to LA's on the basis of both growth and falling rolls. The DfE plans to work with stakeholders over the coming months to refine the standard criteria that will be used to fund schools with significant increases in pupil numbers or falling rolls from 2024-25.

5.12 LA's will also have greater flexibility to use growth funding to repurpose surplus space to create SEND units or Resourced Bases in mainstream schools.

- 5.13 Growth funding factors for 2024-25 are expected to be published in July 2023 and the DfE will also provide further guidance in the Schools operational Guide as well as make the necessary changes to the Regulations.

Early Years Spring 2023 Budget Announcements

- 5.14 **Early Years Spring 2023 Budget Announcements**
In the government's spring budget, the Chancellor announced transformative reforms to childcare for parents, children, the economy and women. This new offer will empower parents, allowing them to progress their careers and support their families. The new entitlements will be introduced in phases:
- From April 2024, all working parents of 2-year-olds can access 15 hours per week;
 - From September 2024, all working parents of children aged 9 months up to 3-years-old can access 15 hours per week;
 - From September 2025, all working parents of children aged 9 months up to 3-years-old can access 30 hours per week.
- 5.15 The budget also announced additional funding of £204m from September 23 rising to £288m in the financial year 2024-25 to increase the funding paid to nurseries for the existing free hours offers. This investment will allow the national average rate for local authorities for 2-year olds to increase by 30% from the current national average rate of £6 per hour to around £8 per hour from September 2023. The national average 3 to 4 year old rate for local authorities will rise in line with inflation from the current national average rate of £5.29 per hour to over £5.50 per hour from September 2023.
- 5.16 Following the announcement of the new start-up grant for childminders it was confirmed that the £600 grant for those who register with Ofsted, and £1,200 for those who register with a childminder agency, will be payable to any individual who has completed their childminder registration on or after 15 March 2023. New childminders will be able to apply for the grant from autumn 2023. There is currently no information available regarding the application process and who will be responsible for making these grant payments.
- 5.17 The rates quoted in paragraph 5.4 are national average rates and details on what this means for Tameside rates have not yet been released. Once further details are received, the LA will provide an update to Schools Forum.

6. RECOMMENDATIONS

- 6.1 As set out at the front of the report.

5.4 Income from Sale of Assets

Schools will be allowed to retain income from the sale of assets except where:

- the asset was purchased from non-delegated funds (in which case the Local Authority shall have the power to determine whether the school will retain the proceeds or not (determine who is entitled to retain the income);
- the asset is part of land and buildings forming part of the school premises and is owned by the Local Authority. Any retention of funds from the sale of land assets is subject to the consent of the Secretary of State, and any conditions the Secretary of State may attach to that consent relating to use of proceeds.

The retention of proceeds of sale for premises not owned by the local authority will not be a matter for the scheme.

Schools are reminded that when they are disposing of assets they should take recognition of the guidance in the Authority's financial regulations.