

Schools Forum - 27 June 2023

Title of paper:	2022/23 Dedicated Schools Grant – Outturn report
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Summary This report sets out the 2022/23 Dedicated Schools Grant (DSG) outturn position and the updated reserve balance and its associated commitments.	
Recommendation(s):	
1	To note that the 2022/23 financial outturn position of the DSG was an under spend of £7.569m (2% of the overall budget) against a final budget of £324.856m, as per Table 2 .
2	To note that this under spend has been allocated back to the Statutory Schools Reserve (SSR) resulting in a closing balance of £21.745m for 2022/23, as per Table 7 .
3	To note that the uncommitted balance on the SSR balance is £16.449m , as per Table 7 .

1. Reasons for recommendations

- 1.1 Enable the formal monitoring of progress against the 2022/23 DSG budget.
- 1.2 To confirm the impact of the 2022/23 outturn on the SSR, the impact on its commitments and the robustness of this reserve to manage any future risk.

2. Background (including outcomes of consultation)

- 2.1 The 2022/23 initial schools budget, as reported at Schools Forum (SF) on 25 January 2022, was **£324.535m**.

The Education and Skills Funding Agency (ESFA) made in-year funding adjustments to the allocation totalling (£0.321m) resulting in a **final budget of £324.856m for 2022/23**.

An analysis of those movements are set out in **Table 1** below:

TABLE 1: IN YEAR BUDGET MOVEMENTS	
Reason	£m
High Needs (HN) block import/export adjustment	0.054
Early Years (EY) block adjustment to reflect updated pupil counts	0.346
Adjustment to Pupil Growth reimbursement from ESFA	(0.079)
TOTAL	0.321

- 2.2 The schools budget is allocated on a block basis; **Table 2** provides a summary of the DSG blocks comparing actual spend to budget and referencing other funding streams.

TABLE 2: 2022/23 OUTTURN SUMMARY				
	Budget as at 25 Jan 2022 SF report	Final Budget £m	Actual Spend £m	(Under)/Over Spend £m
Schools Block (section 2.3 and table 3)	246.699	246.620	246.022	(0.598)
Central School Services Block	4.570	4.570	4.513	(0.056)
EY Block (see section 2.4)	21.181	21.526	21.179	(0.347)
HN Block (see section 2.5)	52.085	52.141	45.573	(6.568)
TOTAL SCHOOLS BUDGET	324.535	324.856	317.287	(7.569)
Less funding not included in DSG allocation:				
ESFA Income	0.445	0.366		
DSG ALLOCATION	324.090	324.490		

The following sections provide more analysis of the variances shown in **Table 2**.

- 2.3 Schools Block variance – **Table 3** provides a further breakdown of this with detailed narrative in sections 2.3.1 to 2.3.4.

TABLE 3: BREAKDOWN OF SCHOOLS BLOCK VARIANCES				
	Budget £m	Actual £m	(Under)/ Overspend £m	(Under)/ Over Spend %
1. Pupil Growth Contingency Fund	1.543	0.960	(0.583)	(38%)
2. Trade Union Cover	0.071	0.056	(0.015)	(21%)
TOTAL	1.614	1.016	(0.598)	

2.3.1 The underspend of (£0.583m) on the pupil growth fund in 2022/23 is mainly due to the remaining balance on the Schools Block (£0.427m), that could not be equitably allocated to all schools through the NFF during the budget process, was allocated to the pupil growth fund. The remaining (£0.156m) is the balance on the contingency built into the budget that was not required.

This approach was set out in the SF report dated 7 December 2021 “Proposed pupil growth allocation for 2022/23”.

2.3.2 The underspend of (£0.015m) on trade union cover budget was mainly due to one union not taking up all its allotted allowance in 2022/23. The underspend will be taken into account when calculating the rate per pupil and lump sum per school for maintained schools and academies in the financial year 2024/25 if de-delegation continues in this financial year.

2.4 Central Schools Services Block variance – the overall variance on this block was an underspend of (£0.056m).

2.4.1 This underspend was mainly due to Virtual School funding being substituted by funding from the Pupil Premium Plus Grant (PPPG).

2.5 EY’s block variance - **Table 4** provides a further breakdown of this with detailed narrative in sections 2.5.1 to 2.5.7.

TABLE 4: BREAKDOWN OF EARLY YEARS BLOCK VARIANCES

	Budget £m	Actual £m	(Under)/ Over Spend £m	(Under)/ Over Spend %
1. 2 Year old funding for schools/providers	3.186	3.044	(0.142)	(4%)
2. 3 & 4 year old funding for schools/providers	16.677	16.777	0.100	1%
3. EY Pupil Premium	0.377	0.373	(0.004)	(1%)
4. EY Disability Access Funding	0.116	0.034	(0.082)	(71%)
5. EY Special Education Needs (SEN) inclusion fund	0.145	0.132	(0.013)	(9%)
6. EY Central expenditure	1.025	0.819	(0.206)	(20%)
TOTAL	21.526	21.179	(0.347)	(2%)

- 2.5.1 The (£0.142m) underspend of 2 Year old funding for schools providers is reflective of the slightly lower than expected participation rates in 2022/23 with 79% of applications being eligible with an average of 146.6 applications per month. The breakdown of applications for the year are as follows, Parents Applications 55%, FIS Team 26%, Childcare Providers 15%, Schools 4%. The Family Information Service (FIS) reported The early learning programme for 2 year olds was consistently the most frequent are for enquiries representing 53% of all FIS activity.
- 2.5.2 The final position of 3 & 4 year old funding shows a £0.100m overspend in 2022/23 which reflects the higher than the anticipated participation rate.
- 2.5.3 Early Years Pupil Premium achieved a small underspend just below budget of (£0.004m) which is close to the budgeted participation rate.
- 2.5.4 There has continued to be significantly fewer applications for early years Disability Access Funding (DAF) compared to the DfE projections underpinning our funding level. This underspend of (£0.082m) has been ring-fenced in reserves as there is an expectation from the DfE that this will be spent to support inclusion of pupils with SEND.
- 2.5.5 The underspend on the SEN Inclusion Fund (SEN IF) had been anticipated and has been ring-fenced in reserves ready for distribution to settings to help support heightened speech, language and communication needs. With the revised eligibility criteria for the SEN IF this has eliminated any significant underspends in comparison to the prior year.
- 2.5.6 Early years central expenditure was under spent by (£0.206m) in 2022/23. There were Early Years Teaching & Learning vacancies within the team. In addition, training savings were achieved in online training course delivery.
- 2.6 HN block variances - **Table 5** shows a summary of the HN Block variances.

TABLE 5: BREAKDOWN OF HIGH NEEDS BLOCK VARIANCES				
	Budget £m	Actual £m	(Under)/ Over Spend £m	(Under)/ Over Spend %
1. High Level Needs (HLN) support in mainstream schools – (see section 2.6.2)	12.847	8.995	(3.852)	(30%)
2. SEN resource unit funding	0.831	0.778	(0.053)	(6%)
3. Special schools	12.011	11.790	(0.221)	(2%)
4. Net cross border top ups with other LA's	0.357	0.108	(0.249)	(70%)
5. Post 16 HLN top ups in FE settings	1.848	1.149	(0.699)	(38%)
6. Independent/Non Maintained Specials	1.582	1.779	0.197	12%
7. Behaviour PRUs & devolved AP – (see section 2.6.3)	7.224	6.440	(0.784)	(11%)
8. Hospital & Home Education including NEST asylum seeker provision	2.406	2.612	0.206	9%
9. Education cost residential placements (see section 2.6.5)	1.554	1.094	(0.460)	(30%)
10. Fair access	0.300	0.088	(0.212)	(71%)
11. Outreach	0.272	0.165	(0.107)	(40%)
12. High Needs settings TPG/TPECG	0.091	0.145	0.054	60%
SUB TOTAL - Demand driven				(15%)
13. LA support services – (see section 2.6.6)	3.600	3.212	(0.388)	(11%)
14. SEN transport contribution	1.000	1.000	-	-
15. Disability Access – (see section 2.6.8)	0.200	0.200	-	-
TOTAL HN spend (LA)				(8%)
16. Places funded via recoupment	6.018	6.018	-	-
TOTAL	52.141	45.573	(6.568)	(13%)

2.6.1 As an LA receiving ceiling level gains under the High Needs National Funding Formula, our DSG High Needs block allocation after recoupment was £7.1m higher in 2022/23 than 2021/22.

2.6.2 An extra £4.612m was budgeted in 2022/23 for supporting high needs pupils in mainstream schools, following on from a £2.398m increase in 2021/22. Linked to the SEND strategy, this was the most significant area of underspend of (£3.852m) in High Level Needs. There was an £2.044m increase in actual allocations on 2021/22. Work has commenced on the HLN secondary phase in Summer 2022.

Special Schools Summer Term was under budget (£0.221m). The forecast was set out with continuing vacant places at Oakfield.

Net Cross Border top ups were substantially lower than forecast (£0.249m), which are overly complex to forecast.

2.6.3 Another significant area of underspend relates to funding for provision relating to pupils excluded or at risk of exclusion (£0.784m).

2.6.4 The high needs funding growth available allowed us to build increases into the budget in a number of areas that had been over-spent in previous years or where we were aware of demand pressures. This applies to the budgets shown on rows 3,5,6 and 8 in the above **Table 5**. Spend in these areas has increased compared to the previous year but remained within the revised budget allocation.

2.6.5 At 2022/23 year end, the DSG reimbursement for the education costs associated with residential placements was (£0.460m) underspent.

2.6.6 The 11% underspend on LA support services is across a range of teams of which (£0.295m) relates to the Inclusive Education Service, (£0.092k) consists of SEN equipment, EY SEND, Behaviour Support Team, and Therapy Costs. There has been significant demand for support from these teams and additional traded income from schools has exceeded the additional staffing costs to provide extra capacity. In 2022/23 the Sensory Occupational Therapy (OT) support budget £0.080m budget has shown a significant uptake in 2022/23 utilising £48k of the budget this year.

2.6.7 Hospital & Home Education including NEST asylum seeker provision £0.206m variance offsets against the variance in Fair Access (£0.212m), resulting in a minimal variation overall.

2.6.8 The underspend on disability access has been ring-fenced in the reserve within the figure in **Appendix A** row 1.

2.7 The outturn position set out in **Table 2** includes a number of further drawdowns from the SSR. These reserve commitments were outlined in the 2021/22 Outturn Report and **Table 6** below shows the detail:

TABLE 6: IN YEAR RESERVE DRAW-DOWNS AND (REPLENISHMENTS)	
Reason	£m
Trade union cover underspend b/f 20/21	0.008
Disability Access funding brought forward balance	0.024
Nethergate Academy expansion	0.016
Underspend on early years DF 18/19, 19/20, 20/21 & 21/22 - Used 20/21 & 21/22 underspend	0.145
EY SEN for PVI Sectors underspend 2021/22	0.145
ESFA Early Years funding adjustment 2021/22	(0.083)
Routes to inclusion Lead	0.029
TOTAL	0.284

- 2.8 The SSR balance as at 1 April 2022 was £14.460m, after in year movements during 2022/23 the balance is £21.745m. **Table 7** below summarises the position:

TABLE 7: RESERVE ANALYSIS	
	Actual £m
Opening Balance as at 1 April 2022	14.460
Less: 2022/23 Draw downs (See Table 6)	(0.284)
Add: 2022/23 Under spend (See Table 2)	7.569
Closing Balance as at 31 March 2023	21.745
Less: Future Commitments (see Appendix A)	(5.296)
Uncommitted Balance as at a 1 April 2023	16.449

Appendix A sets out the commitments/ring fenced funding from the SSR, which total £5.296m resulting an **unearmarked balance of £16.449m**.

The uncommitted element of the SSR is 0.5% of the DSG budget; this was 0.3% as at 31 March 2022. There is no statutory requirement for the levels of this reserve however it needs to align to any risk value which will be. This value will be captured as part of future reports.

- 2.9 All recommendations within this report align to the Schools and Early Years Finance (England) Regulations 2023. Future use of the reserve needs to align to the following expenditure categories set out in **Table 8**.

TABLE 8: EXPENDITURE CATEGORIES
HIGH NEEDS BUDGET

Top-up funding – maintained schools Top-up funding – academies, free schools and colleges Top-up and other funding – non-maintained and independent providers Additional high needs targeted funding for mainstream schools and academies SEN support services Hospital education services Other alternative provision services Support for inclusion Special schools and Pupil Referral Units (PRU's) in financial difficulty PFI/ BSF costs at special schools and AP/ PRUs and Post 16 institutions only Direct payments (SEN and disability) Therapies and other health related services

EARLY YEARS BUDGET

Central expenditure on early years entitlement
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CENTRAL PROVISION WITHIN SCHOOLS BUDGET
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Contribution to combined budgets School admissions Servicing of schools forums Termination of employment costs Falling Rolls Fund Capital expenditure from revenue (CERA) Prudential borrowing costs Fees to independent schools without SEN Equal pay - back pay Pupil growth SEN transport Exceptions agreed by Secretary of State Infant class sizes Other Items
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2.10 The value of maintained school balances has decreased during the financial year 2022/23 from £8.702m to £8.454m.

3. Other options considered in making recommendations

3.1 No other options were considered as part of this report.

4. Outcomes/deliverables

4.1 To provide SF with the 2022/23 outturn position and to confirm the opening balance of the SSR for 2023/24.

5. Consideration of Risk

5.1 This is a report on the outturn position of the Dedicated Schools Grant for the financial year 2022/23. The main risk is around the increased balance on the Statutory School Reserve which is referred to elsewhere in this report.

6. Finance colleague comments (including implications and value for money/VAT)

6.1 The balance on the Statutory School Reserve has increased significantly in 2022/23 leading to a surplus balance of £21.745m. Commitments of £5.296m have been identified though this still leaves a balance of £16.449m of uncommitted reserves.

6.2 A review needs to be undertaken to identify the potential use of the reserve balance over the medium term taking into account all the risks relating to all the blocks within the Dedicated Schools Grant.

7. Legal colleague comments

7.1 The current law in force in this area is the School and Early Years Finance (England) Regulations 2023, SI 2023/59. Spend from the SSR needs to align with the requirements of the Regulations.

Alexa McFadyen, Senior Employment Solicitor - 16 June 2023

8. Other relevant comments

8.1 Not applicable.

9. Crime and Disorder Implications (If Applicable)

9.1 N/A

10. Social value considerations (If Applicable)

10.1 N/A

11. Equality Impact Assessment (EIA)

11.1 Has the equality impact of the proposals in this report been assessed?

No

An EIA is not required because:
(Please explain why an EIA is not necessary)

Yes

Attached as Appendix x, and due regard will be given to any implications identified in it.

12. Data Protection Impact Assessment (DPIA)

12.1 Has the data protection impact of the proposals in this report been assessed?

No

A DPIA is not required because:
(Please explain why a DPIA is not necessary)

Yes

Attached as Appendix x, and due regard will be given to any implications identified in it.

13. Carbon Impact Assessment (CIA)

13.1 Has the Carbon impact of the proposals in this report been assessed?

No

A DPIA is not required because:
(Please explain why a DPIA is not necessary)

Yes

Attached as Appendix x, and due regard will be given to any implications identified in it.

14. List of background papers relied upon in writing this report (not including published documents or confidential or exempt information)

14.1 N/A

15. Published documents referred to in this report

15.1 Schools and Early Years Finance (England) Regulations 2023

APPENDIX A

Proposed use of reserves					
No.		Date Approved	Funding Narrative	2023/24 £m	Other Comments
1	Disability Access funding	29 March 2012 - Agenda item 12-03- 10	Remaining balance from cumulative underspends on the Disability Access Fund. To be carried forward to 2023/24	0.498	
2	Pupil growth underspend 2020/21 to 2022/23		Cumulative surplus balances on the Pupil growth contingency fund for the financial years 2020/21 to 2022/23	1.493	
3	Trade union cover underspend 2021/22	13 October 2020 - Agenda Item 8	Funding used in the calculation of the rate per pupil and lump sum per school for the financial year 2023/24 for maintained schools and academies for trade union representation	0.019	
4	Trade union cover underspend 2022/23	7 December 2021 - Agenda Item 8	Funding to be used in the calculation of the rate per pupil and lump sum per school for the financial year 2024/25 for maintained schools and academies for trade union representation	0.015	
5	Fair Access contingency	23 February 2017- Agenda Item 7	Contingency for emergency expenditure incurred by primary and secondary in year	0.025	Ongoing contingency of £25,000
6	Early Years Disability Access Funding underspends 18/19, 19/20	17 January 2023- Agenda Item 4	Underspend must be ring-fenced for purpose consistent with DAF objectives.	0.148	
7	Early Years Disability Access Funding underspend 22/23		To be used on support inclusion of pupils with SEND	0.082	

8	EY SEN Inclusion Fund underspend 2022/23		To be distributed to setting to help support heightened speech, language and communication needs.	0.013	
9	Underspend on Early Years Provision 2018/19		This balance is being kept available as an early years contingency to be drawn down in the event of future overspends.	0.558	
10	Underspend on Early Years Provision 2020/21		Balance of the underspend on EY provision for 2020/21 after final DSG adjustment and overspend on provision from 2021/22. Includes final clawback (£0.083m) following adjustment for 2021/22 by the ESFA and further contingency for future overspends.	0.756	
11	Higher 2 year old rate for 2023/24	17 January 2023- Agenda Item 4		0.075	To support a higher 2 year old base rate for 2023/24
12	Nethergate School expansion		Special School expansion does not qualify for funding from the pupil growth contingency , so is funded directly from reserves. The amount remaining allows for 1 final classroom.	0.008	
13	R2I Delivery Team			0.151	
14	Additional funding for maintained schools and academies 2023/24		Funding passed onto maintained schools and academies through the delegated budgets in 2023/24	1.438	
15	Individual School Budgets adjustment 2023/24		Adjustment made to delegated budgets for the financial year 2023/24 after the Schools Budget report dated 17 January 2023	0.019	
Total commitments				5.296	