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<b>Decision Maker:</b>	<b>PORTFOLIO HOLDER FOR CHILDREN, EDUCATION AND FAMILIES</b>		
<b>Date:</b>	For Pre-Decision Scrutiny by the Children, Education and Families Budget Sub-Committee on 19 January 2023 and Schools Forum on 26 January 2023		
<b>Decision Type:</b>	Non-Urgent	Executive	Non-Key
<b>Title:</b>	<b>2023/24 DEDICATED SCHOOLS GRANT (DSG)</b>		
<b>Contact Officer:</b>	David Bradshaw, Head of Finance, Children, Education and Families Tel: 020 8313 4807 E-mail: David.Bradshaw@bromley.gov.uk		
<b>Chief Officer:</b>	Director of Finance		
<b>Ward:</b>	All Wards		

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1. Reason for report

- 1.1. This report provides an outline of the final DSG allocation for 2023/24 and an overview of how this will be spent.
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2. **RECOMMENDATIONS**

2.1 **The Children, Education and Families Budget Sub-Committee is requested to:**

- i) **Note the DSG Allocation for 2023/24;**
- ii) **Provide any comments for consideration to the Portfolio Holder.**

2.2 **The Schools Forum is requested to:**

- i) **Review the DSG income and forecast expenditure for 2023/24.**

2.3 **Subject to the views of the Children, Education and Families Budget Sub-Committee and those of the Schools Forum, the Portfolio Holder is asked to approve the Dedicated Schools Grant allocation for 2023/24 and the methodology of its distribution.**

### Impact on Vulnerable Adults and Children

1. Summary of Impact: Children, Education and Families Portfolio budget setting supports the provision of services to vulnerable young people
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### Corporate Policy

1. Policy Status: Existing Policy
  2. BBB Priority: Excellent Council
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### Financial

1. Cost of proposal: Not Applicable
  2. Ongoing costs: Recurring Cost
  3. Budget head/performance centre: Children, Education and Families portfolio budgets
  4. Total current budget for this head: £355,535k (DSG 2023/24)
  5. Source of funding: Dedicated Schools Grant (DSG)
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### Personnel

1. Number of staff (current and additional): Full details will be available with the Council's 2023/24 Financial Control Budget to be published in March 2023
  2. If from existing staff resources, number of staff hours: Not Applicable
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### Legal

1. Legal Requirement: Statutory Requirement: The statutory duties relating to financial reporting are covered within the Local Government Act 1972; the Local Government Finance Act 1998; the Local Government Act 2000; the Local Government Act 2002 and the Accounts and Audit Regulations 2015.
  2. Call-in: Applicable: Portfolio Holder decision.
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### Procurement

1. Summary of Procurement Implications: Not Applicable
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### Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Not Applicable.
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### Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: Not Applicable

### 3. COMMENTARY

3.1. The final Dedicated Schools Grant (DSG) funding for 2023/24 has now been provided to all LAs to reflect the October 2022 census data.

3.2. The final DSG for 2023/24 is divided into four blocks – High Needs, Early Years, Schools and Schools Central. The expected income is detailed below

2023/24 Dedicated Schools Grant					
	High Needs Block	Early Years Block	Schools Block	Schools Central Block	Total
Gross Grant Funding	£74,086,148	£22,251,398	£257,152,187	£2,045,579	£355,535,312
Recoupment adjustment	-£10,978,001		-£1,692,560		-£12,670,561
Net Grant Allocation	£63,108,147	£22,251,398	£255,459,627	£2,045,579	£342,864,751

3.3. The LA has looked at each of these blocks and has forecast the related expenditure for 2023/24 based on information that is currently available at this time. Full details of the projected grant income and expenditure can be seen at Appendix 1 with detailed information regarding each block provided below.

3.4. Appendix 2 shows the allocation from DfE

#### Schools Central Block

<b>Grant 2023/24</b>	£2,045,579
<b>Expenditure 2023/24</b>	£2,555,579
<b>Contribution from Council</b>	-£510,000
<b>Expected (Over)/ Underspend</b>	(£0)

3.5. The Central Block has decreased by £45k. The per pupil rate fell by 2.5% (the equivalent of a loss of £52k). £7k of additional grant was received due to the increase in pupil numbers. There continues to be pressures in the Central Schools DSG due to funding shortfalls. Last year the Council used £460k of core LBB funding to underpin this expenditure. A further £50k is being proposed for 2023/24 bringing the total Council core funding to £510k.

## Early Years Block

<b>Grant 2023/24</b>	£22,251,398
<b>Expenditure 2023/24</b>	£22,251,398
<b>Expected (Over)/ Underspend</b>	(£0)

- 3.6.** Early Years funding has increased by £1.241m. DfE have increased the part time equivalent (PTE) rates by 60 pence per hour for 2 year old funding and 29p per hour for 3 and four year old funding for 2023/24. This has increased the grant by £1.227m. The assumption for volumes of hours (PTE's) remains the same for 2023/24 as the latest volumes for the 2022/23 DSG as DfE use January 2022 data. However this will change once the January 2023 census is published which will affect the figures. The remaining £14k increase is due to increases in Early Years Pupil Premium (EYPP) and Disability Access Funding (DAF).
- 3.7.** There has been a recovery in estimated numbers since the COVID pandemic although numbers have not reached pre COVID levels. There is still risk and uncertainty about the figures in the Early Years sector and take up of places and therefore the underlying pupil counts should be considered with a degree of caution.
- 3.8.** As referred to above this block is volatile due to the change in numbers being experienced. Amendments to the 2023/24 Early Years DSG block will be made in July 2023 based on the January 2023 census and in July 2024 based on the January 2024 census. It is possible that the Council will not be funded for all the hours if there is a significant increase in take up post January 2023 due to the lag in funding.
- 3.9.** Some modelling has been carried out to mitigate against this, based on previous years grant levels and actual payments. Moreover comparisons of other London Local authorities and their payment structures have been undertaken. The Early Years block has to be contained and remain cost neutral overall, which has not happened in the last few years during the pandemic. Following the modelling exercise, the proposal is to increase the 2 year old funding rate by 6 pence and the 3 and 4 year old funding rate by 10 pence. The table below shows the proposed and previous funding levels of DfE and Bromley.

	<u>2022/23</u>		<u>2023/24</u>	
	<u>2 yr olds</u>	<u>3&amp;4 yr olds</u>	<u>2 yr olds</u>	<u>3&amp;4 yr olds</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
DfE Funding	6.03	5.22	6.63	5.51
LBB Payment	6.64	5.10	6.70	5.20

- 3.10.** This prudent approach will help to prevent a deficit being incurred from future volatility in the Early Years sector. The 2 year old funding in Bromley remains higher than the rate the Council is paid and will continue to exceed the funded rate after this proposed increase. Early Years DSG is adjusted in year to take account of take up during the year, so the figure will change as the year progresses. However, the projected expenditure has been adjusted to reflect the increase and ensure the block remains balanced.
- 3.11.** The funding calculation also allows for supplements paid to providers for SEN and £500k to be transferred from the Early Years block to the High Needs Block to support Early Years children

with SEND centrally. This proposal meets DfE requirements for a 'pass through' rate of at least 95%. These proposals give a Bromley pass through rate of 98%. The rates also bring us more in line with authorities in London where Bromley was previously an outlier on both measures, but in particular the 2 year old rate.

**3.12.** The rate and methodology of deprivation payments has also been undertaken. Bromley currently pays a setting level deprivation supplement (SLDS), to group settings where a high proportion of the children live in postcodes in deprived areas. This is currently funded at £0.30 per hour for both Universal hours and Extended hours for three- and four-year-olds. Data taken from the Income Deprivation Affecting Children Index (IDACI) website is used to help identify which settings have the highest proportion of children from postcodes in deprived areas. The proposal is to remove the SLDS and increase the Child Level Deprivation Supplement (CLDS) for eligible three and four year olds. This ensures that this element of funding is targeted at the most vulnerable children regardless of which setting they attend. This is factored into the overall calculations

### Schools Block

<b>Grant 2023/24 – Pupil Led</b>	£254,247,647
<b>Premises related funding (rates)</b>	£1,757,846
<b>Growth Funding</b>	£1,146,694
<b>Recoupment</b>	-£1,692,560
<b>Expenditure 2023/24</b>	<b>£255,459,627</b>
<b>Expected (Over)/ Underspend</b>	(£0)

**3.13.** The Schools Block funding has been calculated using the October 2022 Census pupil numbers and the per pupil units of funding which have been calculated for 2023/24.

**3.14.** The Schools Block has risen by £12m. This is due to an increase in the per pupil unit of funding and increases in the population figures. The majority of this funding will be top sliced and returned to DfE to fund Academy Schools. Moreover, DfE has introduced a central payment mechanism for Schools Business Rates and therefore a further deduction will be made for this.

**3.15.** This figure includes the previous year's supplementary grant of £7.1m which was paid as a separate grant in 2022/23. This has now been amalgamated into the Schools Block funding. Allowing for the £7.1m grant the funding increase is £4.9m (circa a 2% increase). The majority of this funding will be top sliced and returned to DfE to fund Academy Schools.

**3.16.** There has also been an announcement of additional supplementary grant of £8.754m for 2023/24 for schools. This is to provide support for costs not anticipated when the DSG figures were initially budgeted for by Government. This will be distributed as a separate grant in 2023/24 only as the intention is to integrate this into the DSG from 2024/25 onwards.

**3.17.** Using a like for like comparison, and including both years DSG and both supplementary grants the schools block has risen by 5.4% in cash terms, 5.3% per pupil

- 3.18.** Based on the published figures the Primary unit of funding has increased from £4,678 to £4,846 which is an increase of around 3.6% and the Secondary unit of funding has increased from £6,048 to £6,410 which is an increase of around 6.0%. Overall this is a 4.8% increase per pupil.
- 3.19.** The funding that the LA is allocated for the Schools Block is calculated by running the National Funding Formula (NFF) for every school to give a total figure, which is then divided by the number of pupils in each sector to give a per pupil figure. Additional funding is added for premises (i.e. rates) and growth funding. The final growth funding has been calculated at £1.146m which includes retrospective funding for free school pupils.
- 3.20.** In terms of the NFF, the main changes to the NFF for 2023/24 are as follows-
- a) Funding through the schools NFF is increasing by 1.9% overall in 2023-24, and 1.9% per pupil, compared to 2022-23
  - b) Additional support directed to disadvantaged pupils, by increasing the FSM6 and IDAC1 factors in the schools NFF by a greater amount than other factors. These factors will increase by 4.3%, compared to 2022/23. The core factors in the schools NFF (such as the basic entitlement, and the lump sum that all schools attract) will increase by 2.4%.
  - c) Minimum per pupil funding levels have been set at £4,405 for primary schools and £5,715 for secondary schools.
  - d) The Minimum Funding Guarantee (MFG) level is required to be between 0.0% and 0.5%
- 3.21.** Local Authorities are required to follow the National Funding Formula more closely than in previous years and guidelines have been put in place by DfE to limit the amount of flexibility with the funding arrangements for 2023/24.
- 3.22.** This will not create too much turbulence as Bromley has been broadly following the NFF guidelines for a number of years now and this new arrangement will have a minor impact.
- 3.23.** Four scenarios have been modelled following the NFF guidance and then making adjustments to the Basic rates, Deprivation factors and the contingency to balance. These scenarios are detailed in Appendix 3. It is recommended that option 4 is used as it follows the NFF more closely (DfE NFF levels plus 0.5% including appropriate funding in contingency) has fewer schools in MFG and will avoid future turbulence.
- 3.24.** Each scenario contains an element of funding for Falling Rolls schools. A fixed amount of £250k has been allocated. In theory this amount should be increasing as there are more schools falling into this category that could receive the funding. However Schools Forum has agreed stringent guidelines as to its allocation and very few schools have qualified for this funding over the past few years. Therefore, to be prudent, a fixed sum has been allocated.
- 3.25.** A contingency figure is also set aside to cover bulge classes, rates increases and other eventualities such as APT amendments from DfE. This has decreased for last year's allocation.
- 3.26.** The MFG protection across all schools is £885k. There are 21 schools that are in receipt of MFG protection, all of which are primary schools. The lowest MFG is £142, the highest £165,975 with an average of £42,177.
- 3.27.** The MFG level that has been used by Bromley is 0.5% which sits at the top of the government's parameters. The four scenarios all assume 0.5% and it is not proposed to lower this.

- 3.28.** There are a number of schools that become eligible for minimum per pupil funding protection as follows:
- a) 11 Primary schools to receive around £513k collectively.
  - b) 0 Secondary schools.
- 3.29.** There has also been an announcement of additional supplementary grant of £8.754m for 2023/24 for schools. This is to provide support for costs not anticipated when the DSG figures were initially budgeted for by Government. This will be distributed as a separate grant in 2023/24 only as the intention is to integrate this into the DSG from 2024/25 onwards.
- 3.30.** 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
- 3.31.** DfE will publish school level allocations in May 2023. Academy schools will receive the funding direct from DfE. The remaining Maintained Schools will have the funding passported to them once received by the Local Authority
- 3.32.** The Schools Block funding allocations go through a validation check with the ESFA so they are subject to review and possible amendment.

### High Needs Block

Grant 2023/24	£74,086,148
Recoupment	-£10,978,001
LA Expenditure 2023/24	£67,108,147
Expected (Over)/ Underspend	(£4,000,000)

- 3.33.** The High Needs Block continues to be impacted by significant pressures arising from increased volume and complexity of needs. Nationally the Government has seen some authorities building up high levels of deficit reserves. This particular funding issue has been acknowledged, and further funding committed for 2023/24.
- 3.34.** The DSG allocation has resulted in an increase in High Needs block funding of £6.5m for Bromley. £2.9m of this amount was announced in the Autumn spending review as an additional supplementary grant in recognition of increases in costs above and beyond the previous spending review and is intended to reflect likely cost increases local authorities and special schools will face in the provision for children and young people with high needs.
- 3.35.** DfE has stipulated how this funding can be distributed to maintained special schools, special academies, pupil referral units and AP academies and therefore there are some restrictions on

the use of this additional grant. The previous year's supplementary grant of £2.4m has been merged into the 2022/23 baseline figure.

- 3.36.** The remaining £3.6m is due to increases in per pupil funding and the increase in pupils themselves.
- 3.37.** For 2023/24 DfE have introduced a 3% MFG for Maintained Special Schools and Special Academies. Instead of a year on year comparison the comparison will be with schools 2021/22 funding baselines. This recognises that some local authorities have already passed on additional funding for pressures in 2022/23. This has been factored into the funding figures for the Special schools.
- 3.38.** As mentioned in paragraph 3.33 an additional £2.9m has been allocated to Bromley as part of an additional supplementary grant. DfE has stipulated that Authorities must allocate 3.4% based on the place funding of £10k plus the average top up funding they pay in the 2022/23 financial year to special schools and Academies. This has been factored into the figures.
- 3.39.** Similarly authorities must allocate 3.4% to Pupil Referral Units and AP Academies based on place and top up funding these schools receive. DfE is due to publish data for each setting to enable most up to date calculations. However, an estimation has been factored into the budgets for this.
- 3.40.** Although there are increases in funding, predictions for expenditure are rising at a faster rate. This is due to growth in children and young people with SEND and those requiring Alternative Provision and increased complexity of need, Government extending the scope of the High Needs Block from ages 5 to 19 to 0 to 25 and historical baseline funding adjustments. Moreover, future funding levels have not yet been announced and so there is uncertainty as to what funding levels will be from 2024/25.
- 3.41.** To mitigate against the predicted growth, mitigations have also been assumed as part of the Medium Term Financial Strategy. These are predicated on slowing the rate of increase in EHCPs and to incrementally placing more children in local schools. This carries significant risks because provision for children is determined by their presenting needs according to the legal tests set out within the SEND Code of Practice. With sustained exponential increases in demand for EHCPs and increasing numbers of cases being overturned by SEND Tribunals, this will remain a challenge across the MTFS period.
- 3.42.** There continues to be significant pressures on the High Needs Block. The expenditure is based on the pattern of new EHCPs (Education, Health and Care Plans) seen over recent years and on the average cost of a placement. The demand for placements of children and young people with SEN continues to increase. Increased numbers of children and young people have been placed at mainstream schools, special schools and resourced provisions. Nevertheless, the sustained increase in demand results in the continued reliance on independent settings, which are generally more expensive than in borough placements.
- 3.43.** There is currently an estimated cumulative deficit on the DSG of just over £11.3m for the end of the 2022/23 financial year. This is expected to rise during the 2023/24 financial year (current estimate £4m deficit). The Authority has been in discussions with DfE and will be meeting them in the new financial year. At the last meeting of the CEF PDS details regarding the deficit recovery plan were presented and it is hoped that in year improvement of the forecast can be made. This will be reported back to the PDS committee in due course.

#### **4. SCHOOL FORUM COMMENTS**

- 4.1 The Schools Forum meet on the 26th January 2023. Any comments from the Forum will be fed back to the Portfolio Holder after the meeting so that a decision on the funding can be made.



## 5. IMPACT ON VULNERABLE ADULTS AND CHILDREN

- 5.1 The draft 2023/24 Budget reflects the Council's key priorities which includes, for example, supporting vulnerable adults with children and being ambitious for all our children and young people.

## 6. POLICY IMPLICATIONS

- 6.1 The DSG 2023/24 Budget enables the Council to continue to deliver on its key priorities and the financial forecast enables medium term financial planning allowing for early decisions to be made which impact on the medium term financial plan. The Council continues to deliver key services and lives within its means.

## 7. FINANCIAL IMPLICATIONS

- 7.1 Financial implications are contained within the overall body of the report.

<b>Non-Applicable Sections:</b>	Procurement, Personnel Implications, Legal
Background Documents: (Access via Contact Officer)	Held within the Finance Section