

Somerset Schools Forum Paper

Title:	Proposed Distribution of 2023/24 Dedicated Schools Grant	Item:	6
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		Date:	22 February 2023
Purpose: To consult with Schools Forum on the proposed distribution of the Dedicated Schools Grant			
	For Decision X		For Information

Recommendation

It is recommended that Schools Forum members support the proposals for the distribution of the 2023/24 Central Schools Services Block (CSSB), High Needs Block (HNB) and Early Years Block (EYB) set out in this paper.

Background

The conditions of the Dedicated Schools Grant (DSG) are prepared by the Education and Skills Funding Agency (ESFA) to assist local authorities in the operation of the DSG which is payable to local authorities under section 14 of the Education Act 2002.

The ESFA pay the grant as a ring-fenced specific grant, and it must be used in support of the schools' budget as defined in the School and Early Years Finance (England) Regulations 2023.

The DSG is split into 4 Blocks

- Schools Block (SB)
- Central School Services Block (CSSB)
- High Needs Block (HNB)
- Early Years Block (EYB)

2023/24 is the sixth year of the national funding formulae (NFF) for schools, high needs, and central school services. The ESFA have used the NFF to calculate the blocks within the dedicated schools grant (DSG), which was published in December 2022.

The early years block forms part of the DSG but is calculated by the separate national formula.

2023/24 DSG Allocations

The methodology underlying the allocation of DSG to individual local authorities can be found in the [DSG technical note 2023 to 2024](#)

The table below presents the 2023/24 DSG allocation for Somerset and shows an overall increase in DSG allocation of £32.5m (6.9%). The allocation includes the indicative 2023/24 Mainstream Schools Additional Grant (MSAG) and the 2023/24 High Needs Additional Funding.

Table 1 – Somerset DSG allocation for 2023/24 compared to 2022/23

	2022/23	2023/24	Change	
	£m	£m	£m	%
Schools Block	361.4	384.6	23.2	6.4%
High Needs Block	75.4	83.7	8.3	11.0%
Central School Services Block	5.6	5.0	-0.6	-10.2%
Early Years Block	29.1	30.6	1.5	5.3%
Total DSG	471.5	504.0	32.5	6.9%

Appendix A presents a more detailed breakdown of each of the blocks.

At the 11 January 2023 meeting, the Schools Forum were presented with the 2023/24 Schools Block allocation and supported the proposal for the distribution of funding to mainstream schools and a transfer of funding to the High Needs Block.

This paper presents the allocations and proposed funding distributions of the three remaining blocks.

High Needs Block (HNB) - £83.7m

This block of funding supports provision for pupils and students with special educational needs and disabilities (SEND) who require additional resources to participate in education and learning from their early years to age 25 in schools and colleges, and pre-16 pupils in alternative provision (AP) who, because of exclusion, illness, or other reasons, cannot receive their education in mainstream schools.

The block provides local authorities with resources for place funding and top-up funding for schools and colleges and funding for high needs services delivered directly by the authority or under a separate funding agreement with a school or college.

The 2023/24 allocation includes the additional funding for high needs announced in the Treasury's 2022 Autumn Statement. The additional funding is intended to reflect likely cost increases local authorities and schools will face in the provision for children and young people with high needs.

The DfE have distributed the additional allocation to local authorities as a percentage uplift to the original amount calculated in the 2023/24 high needs national funding formula. Each local authority share is a 4.6% uplift. The Somerset additional high needs allocation is £3.3m.

The ESFA have updated the DSG conditions of grant to include [further conditions](#) to the allocations made to local authorities in relation to the additional high needs funding in 2023/24.

Appendix A presents a breakdown of the £83.7m High Needs Block allocation and the adjustments for deductions and a transfer from Schools Block.

The ESFA have calculated a deduction of £9.5m of funding from the total allocation for places that the ESFA pay the funding direct. The deductions are calculated for the final 5 months of the academic year 2022 to 2023, plus provisional deductions for the first 7 months of the academic year 2023 to 2024. The deduction is adjusted during the year to reflect further academy conversations and outcome of the 2023 to 2024 place change notifications process.

A transfer of £1.5m from the Schools Block (growth fund surplus) to the High Needs Block was approved by School Forum members in the November 2022 meeting and confirmed in the Individual Schools Funding Proposal paper presented to Schools Forum in January 2023.

Therefore, the total high needs allocation after adjustments is £75.7m. The local authority decides how much to set aside for place and top-up funding given to schools and colleges, for central high needs services, and other aspects of provision related to SEND and AP.

Table 2 below presents the forecast spend for 2023/24 of £81.4m and the resulting in-year deficit of £5.7m.

The forecast includes mitigating targets to reduce INMS placements (£1.5m) and generate income in the Pupil Referral Units (£0.9m). Plans to achieve these mitigating targets are being developed. In 2022/23 income generated from early intervention PRU placements was lower than forecast, largely due to the capacity of PRUs to offer this provision in a context of high exclusions from school. Reducing and preventing exclusions is a key focus for area inclusion partnerships and for the area's accelerated progress plan in response to the 2022 SEND revisit. During the year we will monitor and review uptake of the early intervention offer from PRUs to determine what is needed in future years.

However, there is a forecast pressure on the high needs block which is a £5.7m in-year deficit, which will result in an increase of the overall DSG cumulative deficit for Somerset.

Table 2 – 2023/24 Forecast Spend and Forecast In-Year Deficit

	2023/2024
	£m
Special Schools	22.3
INMS & CLA Pre 16	25.9
Post 16	6.0
Mainstream	11.2
Pupil Referral Units	8.0
Autism Spectrum Disorder Bases	2.2
Other	1.7
Advisory Services and Virtual School	3.9
SEN Transformation	0.2
Total	81.4
Allocation after Deductions and Transfer	75.7
Forecast in-year Deficit	5.7

A considerable number of local authorities have been incurring a deficit on their overall DSG account, largely because of overspends within their high needs block. In August 2022, the DfE invited the Council to take part in the Delivering Better Value (DBV) in SEND Programme. This programme aims to provide dedicated support and funding to help 55 local authorities with substantial, but less severe, deficit issues (than those who are part of the DfE Safety Valve Programme) to reform their high needs systems. The aim is to put more LAs on a more sustainable footing so that they are better placed to respond to the SEND Review reforms.

During the Autumn Term, key members of staff in the local authority attended DBV SEND training and completed diagnostic activities, gathered evidence, and identified opportunities for improvement with the DfE commissioned consultants, Newton and CIPFA. The LA will continue to engage with key stakeholders about these opportunities and measure the mitigating impact on the high needs forecast deficit, although it is unlikely that we will see the financial benefits of these in 2023/24.

Newton/CIPFA have identified that without any action the gap between high needs funding and expenditure will continue to grow each year, leading to a forecast £120 million cumulative deficit by 2028. The key driver for this increase is the continued increase in the number of children and young people with an EHC plan, which is now above the national average, and growing at a faster pace than nationally. The DBV has helped to identify key opportunity areas to reduce this growth in spending, and the Council is applying for a £1 million grant to support transformation in this area. This will focus on improving identification of SEND at an early stage, having more consistency and clarity

about what an effective offer of support is for children with SEND, and addressing gaps in the service offer with the right expertise. Even with this transformation, it is forecast that the high needs deficit will continue to grow for each of the next five years.

In 2020, the Department for Levelling Up, Housing and Communities (DLUHC) introduced a statutory override that separated DSG deficits from local authorities' wider finances. This statutory override was due to conclude at the end of the 2022-23 financial year but has now been extended for a further three years and it is proposed that this will now cease at the end of the 2025-26 financial year.

Central Schools Services Block (CSSB) - £5.0m

This block covers funding given to local authorities to carry out functions on behalf of pupils in maintained schools and academies and comprises of two distinct elements:

1. Funding for ongoing responsibilities
2. Funding for historic commitments

Appendix A presents a breakdown of the £5.0m CSSB allocation. As previously announced by the DfE, they are reducing the element of funding for historic commitments made prior to 2013 and 2014 by 20% each year.

The local authority attended Schools Forum in September 2022 to share its intentions to reduce the historic commitments budgets in line with the 20% (£0.6m) reduction in funding.

The tables below present the proposed distribution of the £5.0m allocation and a breakdown of the historic commitments budget.

Table 3 – Proposed Distribution of the total 2023/24 CSSB Allocation

	2023/2024
	£m
Statutory & Regulatory Duties	0.6
Education Welfare	0.5
Asset Management	0.2
Other ongoing duties	1.3
Historic Commitments	2.5
Total	5.0

Table 4 – Proposed Distribution of the Historic Commitments Allocation

	2023/2024
	£'000
PFSAs	1,698
CLA Team	297

Education Welfare	247
Post 16 Transitions	200
SENIT	33
Total Historic Commitments	2,474

Early Years Block (EYB) - £30.6m

This block of funding is for the universal and additional early years childcare entitlements, early years pupil premium (EYPP), early years disability access fund (DAF) and supplementary funding for maintained nursery schools (MNS).

Since its introduction in April 2017, the Early Years National Funding Formula (EYNFF) has set the hourly funding rates that each local authority is paid to deliver the universal and additional entitlements for 3- and 4-year-olds (£4.87 for 2023/24). There is a separate formula that sets the hourly funding rates for 2-year-olds (£5.63 for 2023/24).

Appendix A presents a breakdown of the £30.6m Indicative Early Years Block allocation. The ESFA will update this initial allocation in July 2023 (based on January 2023 census) and July 2024 (based on January 2023 and January 2024 census).

Local authorities must consult their schools forums and maintained schools on changes to their funding formulae, including agreeing central spend, by 28 February 2023. Where local authorities propose changes to their funding formulae which will affect early years providers in their area, they must also consult those providers in relation to those changes. The final decision on the formula, following any consultation, rests with the local authority.

Whether or not their local formula has changed, local authorities must calculate and notify initial budgets to providers by 31 March 2023. Initial budgets should use an estimate of the number of hours for the financial year. Unlike the schools formula, early years budgets should be updated during the year as the estimated hours are replaced by actual counts.

Local authorities must pass-through at least 95% of their 3 and 4-year-old funding from the government to early years providers. This pass-through requirement ensures that most of the government funding reaches providers so that they can deliver the government's free entitlements. Local authorities should consider changing pressures on local markets when deciding their pass-through rate.

This means that local authorities, in planning their budget allocations for the forthcoming financial year, need to allocate at least 95% of their EYNFF hourly rate to providers. The 2023/24 proposal is to pass-through 97% to providers and retain 3% for centrally retained Early Year services.

Indicative 2022 to 2023 teachers' pay and pensions grant (TPPG) has been included in the EYNFF hourly rates for 2023 to 2024. The increase is equivalent to 4p per hour on the hourly rate. The table below presents four options the local authority has considered and consulted on for the distribution of the TPPG funding to early years providers. The local authority is proposing to leave the TPPG in the EYNFF base rate rather than have a supplementary grant.

Table 5 – Options for the distribution of the TPPG

Option	Description	Supp'try Grant £'000	Hourly Rate £	Increase on 22/23 £
1	Pay TPPG in full as was 2022/23	241.2	4.53	0.12
2	Pay 50% TPPG in full as was 2022/23	120.6	4.55	0.14
3	Pay based on 4p ph given by DfE & hours claimed	34.8	4.56	0.15
4	Keep in base rate so all providers get the same	0.0	4.57	0.16

Proposals for the distribution of the Early Years Block funding have been considered at Schools Forum.

The table below presents the proposed distribution of the £30.6m allocation.

Table 6 - Proposed Distribution of the EYB Allocation

	2023/2024 £m
3 & 4-year-old funding (£4.87ph)	25.4
2-year-old funding (£5.63ph)	2.6
Centrally retained funding (3%)	0.9
Contingency for ESFA adjustments	1.4
Early Years Pupil Premium (EYPP)	0.1
Disability Access Fund	0.2
Total	30.6

Other Schools Funding

2022/23 was the last year of the School Improvement Monitoring and Brokering Grant. This is a loss of £0.5m funding for Somerset.

The ESFA have increased pupil premium funding rates for 2023/24 by 5%, supporting schools to raise educational outcomes for disadvantaged pupils. Pupil premium rates will increase from April 2023 by

- £70 to £1,455 for primary pupils
- £50 to £1,035 for secondary pupils
- £120 to £2,530 for pupils who have been adopted from care, left care or looked after by the local authority

Next Steps

The local authority will continue to consider feedback from stakeholders. Budgets will be finalised and communicated to schools, colleges and providers within the timescales set by the ESFA (see below).

28 February 2023 – 2023/24 budgets issued to maintained mainstream schools, special schools and PRUs

31 March 2023 – additional high needs funding allocations to special and AP maintained schools and academies to be confirmed following consultation

31 March 2023 – notify initial budgets to Early Years providers

Source Documents: ESFA Guidance

[DSG: Conditions of Grant 2023 to 2024](#)

[DSG: Technical Note 2023 to 2024](#)

[High Needs Funding: 2023 to 2024 Operational Guide](#)

[Early Years Entitlements: Local Authority Funding Operational Guide 2023 to 2024](#)

[Pupil Premium: overview](#)

Breakdown of the DSG Funding Block Allocations

High Needs Block Funding Allocation

	2022/23	2023/24	Increase/ Decrease	
	Allocation	Allocation	£m	%
Basic Entitlement	5.4	6.0	0.5	10.0%
National funding formula allocations	64.8	71.8	7.0	10.8%
Import/Export Adjustment	-0.4	-0.4	0.0	0.0%
Special Free Schools	0.0	0.0	0.0	0.0%
Hospital Education and TP&P	2.9	3.1	0.1	4.6%
Additional HN Funding	2.7	3.3	0.6	23.3%
Total HNB before deductions	75.4	83.7	8.3	11.0%
<i>less deductions due to direct funding of places</i>	-8.9	-9.5	-0.6	6.8%
Total HNB after deductions	66.5	74.2	7.7	11.5%
<i>plus transfer from Schools Block</i>	1.0	1.5	0.5	55.9%
Total HNB Allocation	67.5	75.7	8.2	12.2%

Central School Services Block (CSSB) Funding Allocation

	2022/23	2023/24	Increase/Decrease	
	Allocation	Allocation	£m	%
Ongoing Commitments	2.4	2.5	0.1	2.7%
Historic Commitments	3.2	2.5	-0.6	-20.0%
Total CSSB Allocation	5.6	5.0	-0.6	-10.2%

Early Years Block Funding Allocation

The funding allocation is indicative as funding allocations are updated during the year.

	2022/23	2023/24	Increase/ Decrease	
	Allocation	Allocation	£m	%
Universal Entitlement for 3- and 4-year-olds	18.0	19.0	1.0	5.6%
Additional 15 Hrs Entitlement (Eligible Working Parents) 3 & 4 yr olds	8.2	8.7	0.5	5.6%
2-year-old Entitlement	2.6	2.7	0.0	1.1%
Early Years Pupil Premium (EYPP)	0.1	0.1	0.0	3.3%
Disability Access Fund	0.1	0.2	0.0	12.5%
Maintained Nursery School Supplementary Funding	0.0	0.0	0.0	0.0%
Total EYB Allocation	29.1	30.6	1.5	5.3%