

## London Borough of Enfield

Schools Forum

Meeting Date: 9 October 2024

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**Subject:** Dedicated Schools Grant – Update

**Cabinet Member:** Cllr Abdullahi

**Report No:** 3

**Item: 6a**

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### Purpose of Report

This report provides an update on the LA's Dedicated Schools Grant (DSG). This includes an update on the 2023/24 outturn position, updated 2024/25 allocations and quarter one budget monitoring position.

The report also provides an update on the national funding formula indicative allocations for 2025 to 2026.

### Proposal

Schools Forum is asked to note:

- 1) The 2023/24 DSG outturn position;
- 2) The updated 2024/25 DSG allocations published in July 2024;
- 3) The 2024/25 DSG Quarter 1 budget monitoring position;
- 4) Delay in the announcement of the national funding formula indicative allocations for 2025 to 2026;
- 5) Proposed methodology for preparing the draft 2025/26 DSG budget.

### Relevance to the Council's Council Plan

The Dedicated Schools Grant (DSG) is a ringfenced grant which is paid to Local Authorities in support of the schools budget, including the individual schools budget (ISB) and central expenditure.

The DSG conditions of grant require that the grant is used in support of the schools budget as defined in the School and Early Years Finance (England) Regulations. It can be used for no other purpose.

Updates on the DSG position are provided on a quarterly basis to EMT and Cabinet as part of the council's overall financial monitoring reports.

### Main Considerations for Education Resources Group and Schools Forum

#### 1. 2023/24 Dedicated Schools Grant (DSG) – Outturn Position

The final 2023/24 DSG net outturn position was a surplus of £0.484m. This was made up of a £1.263m underspend on the Early Years block, offset by an overspend of £0.779m arising from high needs cost pressures.

The cumulative DSG deficit as at 31 March 2024 was £14.752m compared to £15.236m at 31 March 2023.

The outturn position is summarised in the tables below.

Table 1 – 2023/24 DSG outturn position

| <b>DSG Reserve</b>                  | <b>£m</b>     |
|-------------------------------------|---------------|
| 2022/23 DSG deficit brought forward | 15.236        |
| 2023/24 DSG surplus                 | (0.484)       |
| <b>2023/24 DSG deficit</b>          | <b>14.752</b> |

| <b>DSG Monitoring Position</b>      | <b>£m</b>     |
|-------------------------------------|---------------|
| 2022/23 DSG deficit brought forward | 15.236        |
| 2023/24 Outturn Position:           |               |
| Schools Block                       | 0.000         |
| Central Schools Services Block      | 0.000         |
| Early Years Block                   | (1.263)       |
| High Needs Block                    | 0.779         |
| <b>2023/24 DSG deficit</b>          | <b>14.752</b> |

Schools Forum are asked to note that the final DSG outturn position reflects a review of the use of DSG funding which was required by the Department of Education. The review resulted in £1.8m expenditure on education services transferring to the Council's general fund budget. Another £0.4m expenditure on wider Council expenditure has also moved to the general fund budget.

This funding has been reallocated to reduce the ongoing high needs placement budget pressures in 2023/24 and future years. The impact of this adjustment reduced the 2023/24 DSG overspend previously forecast by a total of £2.2m.

## **2. 2024/25 Dedicated Schools Grant (DSG) - Background**

The Department for Education (DfE) published initial information regarding the 2024/2025 school funding arrangements for the Dedicated Schools Grant (DSG) and National Funding Formula in July 2023. An initial update was provided to the October 2023 Schools Forum including details of the indicative information on:

- National funding formula for schools;
- High needs national funding formula;
- Central school services block funding formula;
- Early years supplementary funding.

The updated 2024/25 DSG settlement was published on 19th December 2023, with the initial DSG block allocations confirmed for the schools, high needs, early years and central schools services funding blocks. An update report was provided to the January 2024 Schools Forum report.

Local Authority DSG allocations are subject to in-year adjustments. This report details of the updated 2024/25 DSG funding allocations published on 22 July 2024. Further updates will be provided during the year.

## **3. 2024/25 Dedicated Schools Grant allocations – July 2024**

The updated July 2024 Dedicated Schools Grant allocations before recoupment and deductions are summarised in Table 2.

Table 2: 2024/25 DSG Allocation – July 2024 (before recoupment and deductions)

| <b>DSG Block</b>         | <b>2024-25<br/>£m<br/>(Dec 23)</b> | <b>2024-25<br/>£m<br/>(Jul 24)</b> | <b>Variance<br/>£m</b> | <b>Variance<br/>%</b> |
|--------------------------|------------------------------------|------------------------------------|------------------------|-----------------------|
| Schools Block (Inc MSAG) | 312.283                            | 312.283                            | 0.000                  | 0.00%                 |
| Central Schools          | 2.391                              | 2.391                              | 0.000                  | 0.00%                 |
| High Needs               | 78.0322                            | 78.134                             | 0.102                  | 0.13%                 |
| Early Years              | 39.095                             | 39.278                             | 0.183                  | 0.47%                 |
| <b>TOTAL DSG**</b>       | <b>431.801</b>                     | <b>432.087</b>                     | <b>0.286</b>           | <b>0.07%</b>          |

Deductions are made to the LA's Dedicated Schools Grant allocation for recoupment and deductions for national non-domestic rates and for direct funding of high needs funding by Education and Skills Funding Agency (ESFA).

The July 2024 Dedicated Schools Grant allocation after recoupment and deductions is summarised in Table 3.

Table 3: 2024/25 DSG Allocation – July 2024 (after recoupment and deductions)

| <b>DSG Block</b>         | <b>2024-25<br/>£m<br/>(Mar 24)</b> | <b>2024-25<br/>£m<br/>(Jul 24)</b> | <b>Variance<br/>£m</b> | <b>Variance<br/>%</b> |
|--------------------------|------------------------------------|------------------------------------|------------------------|-----------------------|
| Schools Block (Inc MSAG) | 142.704                            | 138.387                            | -4.317                 | -3.03%                |
| Central Schools          | 2.391                              | 2.391                              | 0.000                  | 0.00%                 |
| High Needs               | 74.663                             | 74.458                             | -0.205                 | -0.27%                |
| Early Years              | 39.752                             | 39.278                             | -0.474                 | -1.19%                |
| <b>TOTAL DSG**</b>       | <b>259.510</b>                     | <b>254.514</b>                     | <b>-4.996</b>          | <b>-1.93%</b>         |

The reasons for the changes and funding impact are summarised in the table below:

Table 4 – summary of DSG changes

| <b>DSG Block</b> | <b>Reason for changes</b>  | <b>Impact</b>   |
|------------------|--|---|
| Schools Block    | Recoupment adjustment in relation to an academy conversion on 1 April 2024     | Funding is deducted the LA schools block for direct funding of Academy by ESFA. The LA mainstream school budget is adjusted to reflect this change. |
| High Needs       | Adjustments for import/export adjustments and direct funding of places by ESFA | Funding is updated to reflect changes ESFA direct funding changes. The high needs placement budget is updated to reflect any changes                |
| Early Years      | Updated to reflect the January 2023 and January 2024 census data               | Early years funding is updated to reflect data changes. Early years single funding formula expenditure budget is updated to reflect any changes     |

The LA manage in-year DSG funding changes by adjusting the corresponding expenditure budget that relates to the funding change. Examples include:

- Schools Block funding changes are managed by adjusting the ISB;
- CSSB block funding changes are managed by adjusting the initial estimated contribution to management and support costs;
- Early Years block funding changes are managed through updating the funding available for the early years single funding formula budget;
- High Needs block funding changes are managed through adjusting high needs placement budgets.

Further updates will be provided during the year.

#### 4. 2024/25 Dedicated Schools Grant – Quarter 1 Monitoring Position

The DSG budget monitoring position as at the end of Quarter 1 is an expected overspend in the high needs area, currently predicted to be £2.5m. The projected overspend will impact on the DSG reserve position, leading to a cumulative DSG deficit of £17.252m now forecast for 31 March 2025. The main variance relates to ongoing budget pressures on high needs placement costs in independent provision.

The quarter 1 position is summarised in the tables below.

Table 6 – Projected 2024/25 Quarter 1 DSG deficit

| <b>DSG Reserve</b>                   | <b>£m</b>     |
|--------------------------------------|---------------|
| 2023/24 DSG deficit brought forward  | 14.752        |
| Q1 forecast position                 | 2.500         |
| <b>2024/25 Projected DSG deficit</b> | <b>17.252</b> |

| <b>DSG Monitoring Position</b>       | <b>£m</b>     |
|--------------------------------------|---------------|
| 2023/24 DSG deficit brought forward  | 14.752        |
| 2024/25 Monitoring Position:         |               |
| Schools Block                        | 0.000         |
| Central Schools Services Block       | 0.000         |
| Early Years Block                    | 0.000         |
| High Needs Block                     | 2.500         |
| <b>2024/25 Projected DSG deficit</b> | <b>17.252</b> |

Schools Forum are asked to note that further pressures are expected to materialise during the year, particularly in relation to high needs provision costs. Management actions will be taken where possible to manage any pressures within current budgets.

Areas of potential risk/budget pressures moving forward include:

- Increases in demand/complexity in relation to Independent placement costs;
- Growth/historical funding issues in relation to SEN units and ARP's;
- Impact of proposed pilot of the banding system in relation to EHCP top-up funding;
- Budget pressures on other commissioned services.

The DSG budgets will continue to be closely monitored for the remainder of the financial year in view of these risks and updated reports will be provided to the Schools Forum.

## 5. 2025/26 National funding formula indicative allocations

The Education and Skills Funding Agency (ESFA) confirmed in July 2024 that due to the timing of the general election, the department will not be in a position to publish indicative schools and high needs national funding formula (NFF) allocations for 2025 to 2026 to the usual timescales in July. This is because across government, budgets for 2025 to 2026 are still to be agreed including the 2025 to 2026 schools' budget.

The ESFA confirmed as part of this update that the annual cycle will differ from previous years and the new timescales will be confirmed following decisions on the core schools budget settlement for 2025 to 2026.

The LA are awaiting further confirmation on the new timescales and operational guides outlining the funding arrangements moving forward.

The same methodology used in previous years will therefore be applied in 2025/26 wherever possible to calculate a draft school and DSG budget. This approach assumes no significant changes and will be subject to affordability and the final announcement.

The following key points to note include:

- The National Funding Formula (NFF) rates will be applied to all formula factors in the Enfield schools' formula;
- The Basic Entitlement rate will be adjusted to address any affordability gaps, where necessary;
- Minimum Funding Guarantee – the MFG will be set at the lowest permitted level;
- Notional SEN budgets – will be calculated on the same basis as 2024/25;
- De-delegated services – as outlined in the separate paper;
- CSSB budgets – proposals will be considered at future meeting, subject to confirmation of the 2025/26 school funding arrangements;
- DSG block transfers – proposals to continue to transfer 0.5% funding from the schools block to the high needs block will be considered at future meeting, subject to confirmation of the 2025/26 school funding arrangements;
- Split site funding – the NFF approach and unit rates for basic eligibility funding and distance funding will be applied;
- Sparsity – the NFF rate and calculation will be applied based on the year group size taper and distance taper threshold;

High needs funding growth allocated through the high needs national funding formula will be ring-fenced and allocated to the following commitments; supporting demand led budget pressures in relation to high needs placements and provision; reducing the high needs funding deficit; impact of the proposed pilot of the EHCP banding changes and future impact/affordability of proposed changes.

This approach is intended to support the LA's management and reduction of the DSG deficit, while continuing to maintain the current level of provision to schools built into current budgets where possible. Any additional high needs expenditure proposed or further reductions necessary to balance the budget or required as part of the DSG management plan will need to be funded by identifying savings in other services/provision funded centrally from the high needs block.

## 6. 2025/26 Budget Setting Risks and Uncertainties

The timescales for calculating the draft school budget allocations and finalising the APT in previous years are challenging. The updated funding allocations and dataset is usually published in late December and the final APT is required to be submitted to the ESFA in January.

There are additional risks associated with the 2025/26 DSG budget setting process this year in the absence of indicative funding allocations and with confirmation of funding arrangements significantly later in the year.

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