

Decision Maker: **PORTFOLIO HOLDER FOR CHILDREN, EDUCATION AND FAMILIES**

Date: **For Pre-Decision Scrutiny by the Schools' Forum on the 18 January 2024 and the Children, Education and Families Policy, Development and Scrutiny Committee on 1 February 2024**

Decision Type: Non-Urgent Executive Non-Key

Title: **2024/25 DEDICATED SCHOOLS GRANT (DSG)**

Contact Officer: David Bradshaw, Head of Finance, Children, Education and Families
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Chief Officer: Director of Finance

Ward: All Wards

1. Reason for report

- 1.1. This report provides an outline of the final DSG allocation for 2024/25 and an overview of how this will be spent.
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2. **RECOMMENDATIONS**

2.1 **The Children, Education and Families Policy, Development and Scrutiny Committee is requested to:**

- i) **Note the DSG Allocation for 2024/25; and,**
- ii) **Provide any comments for consideration to the Portfolio Holder for Children, Education and Families.**

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

- i) **Review the DSG income and forecast expenditure for 2024/25.**

2.3 **Subject to the views of the Children, Education and Families Policy, Development and Scrutiny Committee and those of the Schools Forum, the Portfolio Holder for Children, Education and Families is asked to approve the Dedicated Schools Grant allocation for 2024/25 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: £385,741k (DSG 2024/25)
 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 2024/25 Financial Control Budget to be published in March 2024
 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: Not Applicable
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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 2024/25 has now been provided to all LAs to reflect the October 2023 census data.

3.2. The final DSG for 2024/25 is divided into four blocks – High Needs, Early Years, Schools and Schools Central. The expected income is detailed below

2024/25 Dedicated Schools Grant					
	High Needs Block	Early Years Block	Schools Block	Schools Central Block	Total
Gross Grant Funding	£76,856,935	£38,034,418	£268,835,709	£2,013,547	£385,740,607
Recoupment adjustment	-£11,588,001		-£1,948,222		-£13,536,223
Net Grant Allocation	£65,268,934	£38,034,418	£266,887,487	£2,013,547	£372,204,386

3.3. The LA has looked at each of these blocks and has forecast the related expenditure for 2024/25 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

Grant 2024/25	£2,013,547
Expenditure 2024/25	£2,573,547
Contribution from Council	-£560,000
Expected (Over)/ Underspend	(£0)

3.5. The Central Block has decreased by £32k. The per pupil rate fell by 1.25% (the equivalent of a loss of £25k). There was also a £7k reduction of grant received due to a decrease in pupil numbers. There continues to be pressures in the Central Schools DSG due to funding shortfalls. Last year the Council used £510k of core LBB funding to underpin this expenditure. A further £50k is being proposed for 2024/25 bringing the total Council core funding to £560k.

Early Years Block

Grant 2024/25	£38,034,418
Expenditure 2024/25	£38,034,418
Expected (Over)/ Underspend	(£0)

- 3.6.** Early Years funding has increased substantially by £14.7m in 2024/25. Following a government review and consultation on funding and supply the government have introduced the following changes as follows:-
- a) Introduced new funding for under twos of £12.83 per part time equivalent (PTE) hour.
 - b) Introduced new funding for two year old working parents at £9.44 per PTE hour.
 - c) Increased the PTE rate for disadvantaged two year olds from £6.63 per PTE to £9.44.
 - d) Increased the PTE rate for 3 and 4 year olds from £5.51 per PTE to £6.40.
 - e) Increased Early Years Pupil Premium (EYPP) rates and number of hours across the new funding streams.
 - f) Increased the Disability Access Fund (DAF) rates and numbers of hours across the new funding streams.
- 3.7.** During 2023/24 DfE announced a supplementary grant which increased the 2023/24 rates in year but was dealt with outside the Dedicated Schools Grant (DSG). These have been reflected in the new 2024/25 rates.
- 3.8.** The assumption for volumes of hours (PTE's) remains the same for 2024/25 as the latest volumes for the 2023/24 DSG as DfE use January 2024 data. However this will change once the January 2024 census is published which will affect the figures.
- 3.9.** The Council are allowed to top slice this funding to support staffing and other early years support, although the 'pass through' rate (the amount that is being spent on settings) needs to be at least 95%. Government may increase this to 97% in future years but this is still being debated. The top slice is carried out by reducing the hourly rate offered to settings.
- 3.10.** Some modelling has been carried out using the rates and take up of hours assumed by DfE. Two scenarios have been suggested, one with an additional contingency and one scenario without it. This is summarised in the table below.

Scenario 1 - with a contingency					
	<u>3&4 yr olds</u>	<u>2 yr olds</u> <u>Vuln</u>	<u>2 yr olds</u> <u>Working</u>	<u>under 2's</u>	<u>Total</u>
DfE Rates	£6.40	£9.44	£9.44	£12.83	
LBB Rates	£5.96	£9.00	£8.85	£11.95	
<u>Part of Pass through rate</u>					
Assumed hours	3,897,455	238,260	649,846	329,249	5,114,810
DfE Grant	24,943,711	2,249,174	6,134,542	4,224,266	37,551,694
Assumed LBB spend £	23,228,831	2,144,340	5,751,134	3,934,527	35,058,831
Additional supplements	500,000	50,000	50,000	50,000	650,000
Contingency	150,000	50,000	50,000	50,000	300,000
SENIF	388,602	23,754	64,786	32,858	510,000
Pass through rate	97.3%	100.8%	96.4%	96.3%	
<u>Not part of pass through rate</u>					
Centrally retained funding					1,032,863
EYPP					310,731
DAF					171,990

Scenario 2 - without a contingency					
	<u>3&4 yr olds</u>	<u>2 yr olds</u> <u>Vuln</u>	<u>2 yr olds</u> <u>Working</u>	<u>under 2's</u>	<u>Total</u>
DfE Rates	£6.40	£9.44	£9.44	£12.83	
LBB Rates	£6.01	£9.10	£8.90	£12.10	
<u>Part of Pass through rate</u>					
Assumed hours	3,897,455	238,260	649,846	329,249	5,114,810
DfE Grant	24,943,711	2,249,174	6,134,542	4,224,266	37,551,694
Assumed LBB spend £	23,423,703	2,168,166	5,783,626	3,983,914	35,359,409
Additional supplements	500,000	50,000	50,000	50,000	650,000
Contingency	0	0	0	0	0
SENIF	388,602	23,754	64,786	32,858	510,000
Pass through rate	97.5%	99.7%	96.2%	96.3%	
<u>Not part of pass through rate</u>					
Centrally retained funding					1,032,284
EYPP					310,731
DAF					171,990

3.11. It can be seen that for both scenarios the pass through rate is easily met. The preferred model is scenario 2 without the contingency as this directs the maximum funding to settings. The rates, budget, impact, etc will be reviewed at least annually to adjust for any impact. As this is the first year for some of the funding streams there is an element of risk with this and the aim is to utilise the spend with the Early Years block as far as possible without creating any excessive

under/overspends. This prudent approach will help to prevent a deficit being incurred from future volatility in the Early Years sector.

3.12. The funding calculation also allows for supplements paid to eligible providers of £650k, £510k for the Special Education Needs Inclusion Fund (SENIF) and funding to be held centrally of £1m, mainly to support staffing costs. There is also £310k of Early Years Pupil Premium (EYPP) and £172k of Disability Access Fund which is assumed to be ‘in and out’ and will have a cost neutral effect overall.

3.13.

Schools Block

Grant 2024/25 – Pupil Led	£266,097,622
Premises related funding	£2,054,720
Growth Funding	£683,367
Recoupment	-£1,948,222
Expenditure 2024/25	£266,835,487
Expected (Over)/ Underspend	(£0)

3.14. The Schools Block funding has been calculated using the October 2023 Census pupil numbers and the per pupil units of funding which have been calculated for 2024/25.

3.15. The Schools Block has risen by £11.7m. This is due to an increase in the per pupil unit of funding and increases in the population figures. This includes the previous year Mainstream Schools Additional Grant (MSAG) of £8.7m which was paid as a separate grant in 2023/24. Allowing for the £8.7m grant the funding increase is £3.0m. The majority of this funding will be top sliced and returned to DfE to fund Academy Schools.

3.16. Using a like for like comparison, and including both years DSG and taking the supplementary grant into consideration the schools block has risen by 1.2% in cash terms, 1.5% per pupil.

3.17. Based on the published figures the Primary unit of funding (PUF) has increased from £4,846 to £5,064 which is an increase of around 4.5% and the Secondary unit of funding (SUF) has increased from £6,410 to £6,757 which is an increase of around 5.4%. These published rates do not include the MSAG being added into the baseline, so the figures are more in line with paragraph 3.16 above.

3.18. The funding that the LA is allocated for the Schools Block is calculated by running the Local Authority Level 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 £683k. which is based on pupil numbers in middle layer super output areas (MSOAs). This year there was the introduction of Falling rolls funding via the DSG. Bromley did not qualify for any of this funding.

3.19. In terms of the NFF funding streams that drive schools funding, the main changes to the NFF for 2024/25 are as follows-

- a) rolling the 2023 to 2024 mainstream schools additional grant (MSAG) into the NFF
- b) increasing NFF factor values (on top of the amounts we have added for the MSAG) by:
 - 1.4% to basic entitlement, low prior attainment (LPA), FSM6, income deprivation affecting children index (IDACI), English as an additional language (EAL), mobility, sparsity and the lump sum.
 - 1.4% to the minimum per pupil levels (MPPL)
 - 0.5% to the funding floor
 - 1.6% to the free school meals (FSM) factor value
- c) introducing, for the first time, a methodology for calculating and allocating funding for falling rolls.
- d) Minimum per pupil funding levels have been set at £4,610 for primary schools and £5,995 for secondary schools.
- e) The Minimum Funding Guarantee (MFG) level is required to be between 0.0% and 0.5%

3.20. 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 2024/25. Local authorities must move their local formula factor values at least a further 10% closer to the NFF (building on the movement towards the NFF made in 2023 to 2024), except where local formulae are already mirroring the NFF.

3.21. 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.

3.22. 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 (All DfE factors kept to exactly apart from the AWPU factor which is increased by 0.25%).

3.23. This scenario gives the maximum MFG protection, more funding going to schools, and as Bromley are following the DfE NFF levels exactly (apart from one area), there is less future turbulence.

3.24. For 2024/25 the Schools Forum agreed to remove the Falling rolls funding, thus enabling more funding to go directly to schools. This will be revisited next year to gauge any impact. The Schools Forum had agreed stringent guidelines as to its allocation and very few schools have qualified for this funding over the past few years. Moreover, no funding for falling rolls was forthcoming under the new DfE funding arrangements.

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 £834k. There are 19 schools that are in receipt of MFG protection, most of which are primary schools. The lowest MFG is £2,977, the highest £137,049 with an average of £43,878.

3.27. The MFG level that has been used by Bromley is 0.5% which sits at the top of the government's parameters. One scenario assumes 0.0% but it is not proposed to use this option.

- 3.28.** There are a number of schools that become eligible for minimum per pupil funding protection as follows:
- a) 9 Primary schools to receive around £465k collectively.
 - b) 0 Secondary schools.
- 3.29.** DfE will publish school level allocations in May 2024. 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
- 3.30.** 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 2024/25	£76,856,933
Recoupment	-£11,588,001
LA Expenditure 2024/25	£70,899,932
Expected (Over)/ Underspend	(£5,631,000)

- 3.31.** 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.
- 3.32.** The DSG allocation has resulted in an increase in high needs block funding of £2.5m for Bromley. Bromley received £2.8m of additional supplementary grant in 2023/24 that was rolled into the baseline for 2024/25, so the increase would be £5.3m if this were excluded.
- 3.33.** The £2.5m increase is due to increases in per pupil funding and the increase in pupils themselves.
- 3.34.** For 2024/25 DfE have introduced a 0% MFG for Maintained Special Schools and Special Academies. Last year this was 3%. This has been factored into the funding figures for the Special schools. The 2023/24 supplementary grant that was paid to settings will continue to be paid as per DfE guidance.
- 3.35.** Although there are increases in funding, predictions for expenditure are rising at a faster rate. This is due to growth in pupil numbers in this area, Government extending the scope of the High Needs Block from ages 5 to 19 to 0 to 25 and historical baseline funding adjustments. It is predicted that without further management intervention, there will be a deficit of c£5m per annum over the next four years.
- 3.36.** There is an estimated DSG deficit at the end of the 2023/24 financial year of £16,149k.
- 3.37.** Although additional grant been given by DfE, demand continues to outstrip funding. Bromley was one of the last authorities in London to fall into a deficit position regarding its DSG. The overspends are in the main in the high needs block area and are related to the cost of placements in all types of education settings.
- 3.38.** The unsustainability of the SEN system is a national issue and there are high expectations being set for the DfE's SEND Review. Nevertheless, officers are seeking to further reduce costs, within

the tight constraints of the legal framework. Officers are working with DfE and are in discussion with them regarding recovery plans and actions that can be taken to reduce the deficit position.

- 3.39.** Section 25 of the Local Government Act 2003 requires the Section 151 Officer to report on the robustness of the budget calculations and adequacy of reserves. The 151 Officer within that commentary is now required to consider the Councils DSG deficit position, despite the statutory override being in place.
- 3.40.** The statutory override effectively means that any DSG deficits are not included in the Councils main revenue budgets. However, funding will ultimately need to be identified
- 3.41.** In effect the Council has to still set aside resources to meet the DSG deficit and where no ongoing funding is identified such funding will need to come from the Councils reserves. On that basis the budget monitoring report identifies a deficit of £4,043k which has to ultimately be funded from the Councils reserve.
- 3.42.** Although DSG is effectively ring fenced the ongoing increase through funding by reserves (general and earmarked) creates a financially unsustainable position in the medium to longer term.
- 3.43.** The External Auditor as part of the annual accounts, are required to comment on the Councils Value for money arrangements and will be required to consider any DSG deficit and the impact on the Councils finances.
- 3.44.** In terms of presentation of the estimated DSG deficit of £16,149k up to 31/3/2024, there will need to be adequate funding from the Councils reserves unless alternative savings can be found. The use of reserves have been assumed in this report, although the specific reserves to use have not been identified at this stage.
- 3.45.** 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 increasing numbers of cases being overturned by SEND Tribunals, this will remain a challenge across the MTFS period.
- 3.46.** 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, exacerbated by a lack of local specialist provision. 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.

4. SCHOOL FORUM COMMENTS

- 4.1** The Schools Forum will meet on the 18th January 2024. Any comments from the Forum will be fed back to the Committee after the meeting so that a decision on the funding can be made.

5. IMPACT ON VULNERABLE ADULTS AND CHILDREN

- 5.1 The draft 2024/25 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 2024/25 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.

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