

Cabinet

23 January 2023

Allocation of 2024/25 Dedicated Schools Grant

Recommendations

That Cabinet:

1. Endorses the Schools Block DSG allocation, as detailed in Section 3, following the Department for Education's (DfE) approval of the Council's disapplication to request a 0.5% transfer of funding from the Schools Block to the High Needs Block at a value of £2.283m;
2. Approves the Early Years Block DSG allocation of funding for all early years providers as outlined in Section 4;
3. Approves the allocation of the High Needs DSG budget, as set out in Section 5; and
4. Supports the proposals for allocating the Central School Services DSG budget, as set out in Section 6.

1. Purpose of the Report

- 1.1. The Dedicated Schools Grant (DSG) is the ringfenced grant from Government that provides each local authority with an allocation of funding for schools and services for pupils.
- 1.2. The report outlines the 4 blocks of the DSG, and the current proposals to allocate the provisional DSG allocation. Warwickshire Schools Forum received these proposals at the meeting held on 11 January 2024, and subject to Cabinet approval, they will be confirmed at the Schools Forum meeting on 21 March 2024.
- 1.3. Full Council will approve the 2024/25 budget resolutions on 8 February 2024 which includes allocating resources to schools and other educational settings in accordance with the National Funding Formula (NFF) for schools and early years settings. There is an expectation in the annual budget that the cost of schools and educational settings will be contained within the level of the DSG, but a reserve has been created to support a deficit if spending continues at the levels currently estimated without further external funding and/or recovery plan activities do not deliver cost reductions.

2. Dedicated Schools Grant

- 2.1. Whilst the DSG is often referred to as a single grant it is in fact made up of four blocks with minimal flexibility to move funding between the blocks.

Therefore, in considering how the DSG is allocated it is necessary to consider each block separately.

- 2.2. The provisional 2024/25 DSG allocation (before deductions) of £622.224m, split across the four blocks by the Education and Skills Funding Agency (ESFA) is set out in Table 1.

Table 1: 2024/25 DSG Allocations (before deductions)	£m
Schools Block	456.656
Early Years Block	63.795
High Needs Block (<i>Note 1</i>)	97.638
Central Schools Services Block	4.135
Total DSG Allocation 2024/25	622.224

Notes

1. Provisionally, the amount of the 2024/25 High Needs Block allocation that will come to the authority is £80.404m. The Education and Skills Funding Agency (ESFA) will top slice £17.234m to allocate directly to non-maintained providers. Similarly, an estimated £308.775m of Schools Block funding will be paid by ESFA direct to Academy Schools and £4.351m will be top sliced to cover EFSA payments of NNDR to billing authorities.

- 2.3. The rest of this section outlines the powers and responsibilities of the Local Authority and Schools Forum in relation to DSG allocations before the rest of this report covers the basis of allocations in each of the blocks separately.

2.4. Schools Block

It is the responsibility of the County Council to propose and decide any changes to the formula which is used to allocate Schools Block DSG to all primary and secondary schools. The Schools Forum is consulted on any proposed changes and informs the governing bodies of all consultations.

2.5. Early Years Block

Funding rules require that the whole of the funding allocation for Early Year pupil Premium and Disability Access Fund be passported to all early years providers for eligible children aged 9 months to 4 years.

The local authority must passport a minimum of 95% of funding for Under 2s, 2-year-olds and 3- & 4-year-old children of eligible working parents directly to settings. This means up to 5% can be retained by the Council to fund early years functions delivered by Education Services.

It is the responsibility of the local authority to propose and decide the allocation of Early Years Block funding. Schools Forum and an Early Years Working Group are consulted annually and given an opportunity to give their view on the local authority proposal.

2.6. High Needs Block

The High Needs Block supports provision for children and young people with special education need and disabilities (SEND). The High Needs Block also provides the resources for place funding, top-up funding for institutions and funding for high need services delivered by the local authority.

It is the responsibility of the local authority to propose and decide the allocation of High Needs Block funding. Schools Forum is consulted on any proposed changes and informs the governing bodies of all consultations.

2.7. Central School Services Block

The Central School Services Block provides funding for the local authority to carry out central functions on behalf of pupils in both maintained schools and academies. Services are split between ongoing and historic responsibilities.

The local authority proposes the spending allocations funded from the Central School Services Block, but the final decision is made by the Schools Forum.

3. Schools Block National Funding Formula 2024/25

3.1. The Schools Block DSG allocation for 2024/25 is £456.656m which is an increase of £31.019m (7.29%) from the equivalent 2023/24 allocation and is mainly due to increase in pupil numbers.

3.2. The total Number on Roll for 2024/25 has increased by 1,485 pupils (1.88%) above 2023/24 pupil numbers. Table 2 shows the Number on Roll changes by phase.

Table 2: Changes to the Number on Roll between 2022/23 and 2023/24 October Census Points

Phase	No. of pupils of Roll 2024/25	No. of pupils of Roll 2023/24	Variance
Primary Pupils	46,315	45,615	700
Secondary Pupils	34,290	33,506	784
Total	80,606	79,121	1,485

3.3. In addition, the minimum pupil funding for 2024/25 has increased to £4,610 for Primary Schools and £5,995 for Secondary school compared to £4,405 in Primary Schools and £5,715 in Secondary Schools for 2023/24. This represents an increase of 4.65% and 4.90% respectively above 2023/24 funding levels.

3.4. The Minimum Funding Guarantee has been set at +0.50%.

3.5. Within National Funding Formula guidelines, a Local Authority can transfer up to 0.5% from the Schools Block to the High Needs Block. Following an annual consultation with schools, Schools Forum did not support the transfer of any of the Schools Block DSG to the High Needs Block DSG in 2024/25 at their extraordinary meeting in November. The primary reasons for this decision were:

- the current pressures faced by school budgets (and the wider economy) during the current 'cost of living' crisis and rising inflation.
- the impact that the transfer would have had on reducing many Individual School Budgets (ISB)

- 3.6. The Local Authority submitted a disapplication to the Secretary of State to transfer the 0.5% from the Schools Block to the High Needs block in order to help with ongoing pressures on the High Needs Block. The ESFA confirmed to the Local Authority on 12 January 2024 that the disapplication had been conditionally approved. The conditions of grant were accepted by the S151 Officer. Consequently, the Local Authority is able to approve a single version of the Schools Budget incorporating the 0.5% transfer.
- 3.7. The DSG allocation for 2024/25 from the ESFA is not sufficient for the Local Authority to fully apply what is referred to as the 'hard' NFF in 2024/25. This is predominantly due to a larger than anticipated increase in pupil numbers. However, the conditions of the National Funding Formula allow Local Authorities to set local factors that are within 10% range so that the National Funding Formula can still be implemented.
- 3.8. The majority of factors have been set in line with the 'hard' NFF as per the below:
- Allocate funding for English as an additional language for the maximum 3 eligible years in line with the 'hard' NFF.
 - Prior attainment set at 100% in line with the 'hard' NFF.
 - The new Split sites allocates a basic eligibility rate of £56,000 and a distance funding rate of £27,096 in line with the 'hard' NFF.
 - Business Rates are fully funded, and this is mandatory.
 - Funding to meet minimum per pupil funding (£4,610 for primary school pupils and £5,995 for secondary school pupils) in line with the 'hard' NFF.
 - Set the Minimum Funding Guarantee at +0.50% in line with the 'hard' NFF.
 - Allocate £3.6m to the Growth Fund which Schools' Forum approved at their meeting on 11 January 2024.
- 3.9. The factors that have been adjusted (within the NFF 10% threshold) are as follows:
- The Age Weighted Pupil Unit (AWPU) rate has been set 1.45% lower than the 'hard' NFF for Primary, and 1.52% lower than the 'hard' NFF for Secondary.
 - All Deprivation rates (Free Schools Meals and Income Deprivation Affecting Children Index) have been set 2.56% lower than the 'hard' NFF.
 - All schools are allocated a lump sum of £131,993, 2.56% lower than the 'hard' NFF.
- 3.10. A breakdown of the movements in the NFF factors between 2023/24 and 2024/25 is shown in Table 3 below.

Table 3 - Comparison of NFF allocations 2023/24 and 2024/25 (with 0.5% transfer)

Factor	2023-24 £m	2024-25 £m	Difference £m	Difference %	Reason for Change
Age Weighted Pupil Unit (AWPU)	324.23	343.05	18.82	5.8%	Pupil led factor and increase in rates.
Deprivation	29.59	33.49	3.91	13.2%	Pupil led factor and increase in rates.
English as an Additional Language	3.07	3.90	0.83	27.0%	Pupil led factor
Mobility	0.08	0.72	0.64	782.6%	As per NFF requirement
Prior Attainment	26.51	28.56	2.05	7.7%	Pupil led factor
Lump Sum	29.60	30.89	1.29	4.3%	Increased Lum Sum
Split Sites	0.15	0.37	0.22	140.3%	New formula factors
Sparsity	1.08	1.10	0.02	2.2%	Increased rate
Rates	3.72	4.35	0.63	17.0%	Actual costs of rate bills are fully funded
Minimum Pupil Funding	3.88	3.94	0.06	1.6%	As other factors increase there is less need to protect schools through this factor
Minimum Funding Guarantee	0.25	0.40	0.15	62.1%	As other factors increase there is less need to protect schools through this factor
Growth Fund	3.48	3.60	0.12	3.4%	Increase in pupil number for bulk classes (for details see separate paper for growth fund)
Total (impacted by roundings)	425.63	454.37	28.74		

3.11. At their 11 January 2024 meeting, Schools Forum agreed to recommend the following in relation to the Schools Block allocation for 2024/25. (Please note that this is subject to the ESFA verifying our schools funding submission which needs to be submitted by Monday 22 January 2024. Schools Forum will therefore receive the final budget position at their March meeting.)

- Schools Forum agree to recommend to Cabinet implementation of the National Funding Formula in 2024/25 in line with national guidelines as set out in paragraph 3.8. This assumes that the Local Authority's disapplication to the Secretary of State for a transfer of 0.5% from the Schools Block to the High Needs Block is not accepted.
- Schools Forum agree to recommend to Cabinet implementation of the National Funding Formula in 2024/25 in line with national guidelines as set out in paragraphs 3.9. This assumes that the Local Authority's disapplication to the Secretary of State for a transfer of 0.5% from the Schools Block to the High Needs Block is approved.

3.12. As the Local Authority's disapplication to the Secretary of State for a transfer of 0.5% from the Schools Block to the High Needs Block has been approved, it is the latter of the recommendations that is brought forward to Cabinet.

4. Early Years Block National Funding Formula 2024/25

4.1. In previous years the Early Years Block element, within the Dedicated Schools Grant (DSG) funded the universal provision for all 3- & 4-year-old children as well as the early years provision for disadvantaged 2-year-old children. From April 2024 this will be extended to include eligible working parents of 2-year-olds and then children over 9 months (Under 2s) from September 2024.

4.2. ESFA announced in December 2023 early years allocations for 2024/25. These allocations cover the following areas:

- Under 2s
- 2-year-olds
- 3- and 4-year-olds

- Early Years Per Pupil Premium (EYPPP)
- Disability Access Fund (DAF)
- Supplementary Funding for Maintained Nursery Schools

4.3. Rates for 2023/24 and a comparison to 2024/25 rates are as follows:

Table 4: Early Years allocations rates 2023/24 and 2024/25

Factor	2023/24 Rates	2024/25 Rates	% Change
Under 2s	£0.00	£10.69	New
2-year-olds	£7.81	£7.87	0.76%
3- & 4-year-olds	£4.98	£5.58	10.75%
TPPG	£0.03	£0.03	No change
EYPP	£0.62	£0.63	1.59%
DAF	£828	£910	9.90%
MNS	£3.80	£4.64	22.11%

Allocations for under 2s

4.4. The hourly allocation for under 2s is £10.69 per hour for 2024/25.

4.5. As per the revised funding rules up to 5% of the allocation can be retained by the Local Authority to fund central services which support all early year's providers.

Allocations for 2-year-olds

4.6. The hourly allocation for 2-year-olds is £7.87 per hour for 2024/25

4.7. As per the revised funding rules up to 5% of the allocation can be retained by the Local Authority to fund central services which support all early year's providers.

Allocations for 3- & 4-year-olds

4.8. The hourly allocation for 3- & 4-year-olds has increased by 63p per hour from £4.98 per hour in 2023/24 to £5.61 per hour in 2024/25, this includes £0.03 for Teachers Pay and Pensions Grant (TPPG). This represents a 10.75% increase above the 2023/24 funding allocation.

4.9. As in previous years up to 5% of the allocation for 3- & 4-year-olds can be retained by the Local Authority to fund central services which support all early year's providers.

National Funding Formula Guidance

4.10. The Early Years National Funding Formula allocates funding to Local Authorities using an hourly rate. 95% of this must go directly to providers either as a universal rate or as the mandatory supplement for deprivation, and 5% can be retained by the Local Authority to fund central early years functions

(since 2018/19) for 3 & 4year-olds and for the first time this year for under 2s and 2-year-olds. The formula also may have a fixed number of supplements in addition to the required deprivation factor.

- 4.11. The ESFA announced in December 2023 early years allocations for 2024/25 and the Early Years Working Group met on Monday 8 January 2024 to discuss the allocation of funding and to make a recommendation to Schools Forum.
- 4.12. A breakdown of how the recommended allocations from the working group and Schools Forum are set out in Table 5 below:

Table 5: Breakdown of Hourly rates

	2024/25 Allocation Per Hour		
	Under 2s	2-year-olds	3 & 4year-olds
Total Rate	10.69	7.87	5.61
Universal rate allocated to all providers	10.07	7.39	5.22
Teachers pay and pension grant	N/A	N/A	0.03
Deprivation Supplement	0.09	0.09	0.09
Central Provided Services (5%)	0.53	0.39	0.27

Early Years Per Pupil Premium and Disability Access Fund

- 4.13. From 2024/25 eligibility for Early Years Per Pupil Premium (EYPP) and Disability access fund (DAF) will be extended to include eligible children aged 2 years old and under.
- 4.14. The EYPP rate has been increased this year to 63p per hour for eligible children.
- 4.15. The Disability Access Fund allocation rate for 2024/25 is £910 per eligible child, an increase of 9.90%.

Supplementary Funding for Maintained Nursery Schools (MNS)

- 4.16. From 2023 to 2024 ESFA reformed the distribution of supplementary funding to ensure that it is being shared more evenly across all local authorities with MNSs.
- 4.17. The only change that has been made to the MNS Funding for 2024/25 is the hourly rate, this has increased from £3.80 to £4.64. In 2023/24 the ESFA mainstreamed the funding that MNSs previously received through the teachers' pay and pensions grants, so as per last year this is included within each local authority's supplementary funding allocation.
- 4.18. The Supplementary funding rate for Warwickshire is £4.64 and must be paid to 6 Maintained Nursery Schools for the Universal funded hours.

5. High Needs DSG Budget Allocations 2024/25

- 5.1. The 2024/25 allocation for High Needs Block DSG is £97.638m. This represents a £3.107m increase on the equivalent allocation for 2023/24. Of the total allocation of £97.638m the ESFA will top slice and allocate £17.234m direct to academies for high needs places. The allocation available to the local authority to manage is therefore £80.404m.
- 5.2. The High Needs Block allocation will be distributed to individual service budgets, taking into account both expenditure requirements and savings requirements (based on workstreams and interventions within the SEND and Inclusion Change Programme (DSG High Needs Recovery Plan) and participation in the DfE's Developing Best Value (DBV) in SEND programme.
- 5.3. High Needs Block funding is based on SEND pupil numbers at October 2023 in mainstream; special and resourced provision, maintained schools and academies, and SEND pupil numbers at January 2023 in independent provision. The funding is made up as follows:
 - Basic entitlement factor funding at £4,711.06 per pupil, adjusted for area costs. This is a decrease of £0.166m from 2023/24 per pupil funding.
 - Historic spend factor. This amount is maintained at a cash-flat level and accounts for approximately 85% of the total high needs allocation. The remaining amount of overall funding is distributed to local authorities using the following proxy indicators:
 - 2 to 18 year old population
 - deprivation
 - health and disability
 - low attainment
 - The formula then applies the protection of a funding floor to all elements except the basic entitlement factor.
 - Hospital education funding is added.
 - Import/export adjustments are made mid-year to reflect the transfer of pupils with SEND into and out of the County.
 - Additional funding for Special Free Schools
- 5.4. The 2023/24 Quarter 3 forecast figures reported to Cabinet elsewhere on this Cabinet agenda, forecasts a 2023/24 High Needs Block in year overspend of £17.514m. It is recognised that nationally pressures on the school system, and the high needs budget in particular, are an issue; and Local Authorities continue to raise this with Central Government.
- 5.5. With the Government requiring all schools and early years services to be provided within the level of DSG allocated, more still needs to be done to ensure the budget for these services is robust and sustainable. The SEND and Inclusion Change Programme along with Warwickshire's participation in the DfE's Developing Best Value (DBV) in SEND programme will set out Warwickshire's plan towards how the DSG can be brought more into balance. Whilst further stages of the plan are developed and implemented, and/or the Government brings forward proposals for funding DSG deficits at a national level, sufficient funding will be set aside in reserves in 2024/25. As noted in

the December MTFs report to Cabinet, it is not affordable for the Authority to make provision for the deficit beyond 2024/25, at this time. The financial assumption is that the Authority will take advantage of the statutory override from April 2025 onwards and will commit to implementing the options available to make good the accumulated deficit when the statutory override is lifted.

6. Central Schools Services Block 2024/25

- 6.1. The allocation to the Central School Services Block (CSSB) is £4.135m in 2024/25. This represents a £0.033m increase on the 2023/24 figure. CSSB funding is allocated partly for historic commitments and partly for ongoing functions relating to both maintained schools and academies.
- 6.2. For Warwickshire's historic commitments allocation, this was due to be reduced by 20% from 2024/25 but a successful appeal to the ESFA has meant that the funding of £1.003m is same as 2023/24. The cost of the historic commitments has similarly remained static.
- 6.3. Funding for ongoing functions is allocated using a pupil-led formula, based on October 2023 pupil numbers and comprises a basic per-pupil amount. This has been reduced from £39.17 to £38.96 for 2024/25. The effect of this reduced rate has been mitigated by the increase in overall pupil numbers as detailed in Table 2 above.
- 6.4. The decision on the use of the CSSB is one for the Schools Forum. The CSSB allocations for 2024/25 will be confirmed by the Schools Forum at their meeting on 21 March 2024.

7. Financial Implications

- 7.1. In addition to the financial implications which are within the body of the report, the following paragraphs are for noting:
- 7.2. This demand and cost pressures, alongside the need to deliver material savings and manage future demand to bring the budget back into balance, means the High Needs Block DSG remains an area that requires close oversight. Progress on the recovery plans will be reported to Cabinet and to Schools Forum as appropriate.
- 7.3. A High Needs Block DSG deficit is not unique to Warwickshire and reflects a major national problem. A sustainable funding model needs to be implemented by Central Government.

8. Environmental Implications

- 8.1. There are no specific environmental implications arising from the decision being made as part of this report.

9. Background Documents

9.1. None

10. Supporting Papers

Schools Forum 11 January 2024 meeting.

	Name	Contact Information
Report Author	Purnima Sherwood Head of Operational Finance Services Brian J Smith Children & Young People and Schools Funding Finance Manager	purnimasherwood@warwickshire.gov.uk briansmith@warwickshire.gov.uk
Directors	Andy Felton Director of Finance Johnny Kyriacou Director of Education	andrewfelton@warwickshire.gov.uk johnnykyriacou@warwickshire.gov.uk
Executive Directors	Rob Powell Executive Director for Resources Nigel Minns Executive Director for Children & Young People	robpowell@warwickshire.gov.uk nigelminns@warwickshire.gov.uk
Portfolio Holders	Peter Butlin Portfolio Holder for Finance and Property Kam Kaur Portfolio Holder for Education	peterbutlin@warwickshire.gov.uk kamkaur@warwickshire.gov.uk

Elected Members have not been consulted in the preparation of this report.