

| | |
|-------------------|---|
| Report subject | Mainstream Schools and Early Years Funding Formulae 2024/25 Report |
| Meeting date | 7 February 2024 |
| Status | Public Report |
| Executive summary | <p>The council receives the ring-fenced dedicated schools grant (DSG) to fund the separate early years and mainstream schools funding formulae. The contents of each formula are highly regulated by the Department for Education (DfE). The council is to decide the local formulae after considering the recommendations of the Schools Forum.</p> <p>The early years funding levels for 2024/25 were received from the DfE in late November. A consultation with the sector in January is being considered with Schools Forum on 6 February when a recommendation will be made to the council.</p> <p>A consultation concerning the mainstream schools formula 2024/25 was undertaken with schools in November/December 2023 with the outcome and further work considered by the Schools Forum on 13 December 2023. A further meeting on 15 January 2024 provided a recommendation to the council.</p> |
| Recommendations | <p>It is RECOMMENDED that:</p> <ol style="list-style-type: none"> 1. Delegate the decision for the early years formula to Cabinet on 6 March to allow time for the consultation with the sector and Schools Forum to conclude. 2. Agree the local mainstream formula as set out in paragraphs 45 to 47 and appendix 3a, which remains dependent on final decisions from the DfE. In the event that these decisions have not been received by the time of the Council meeting, then the final decision is delegated to the Corporate Director for Children's Services in consultation with the Portfolio Holder for Children's Services. |

| | |
|----------------------------|--|
| Reason for recommendations | <p>Recommendation 1 is to enable time for the early years funding consultation to conclude, and for Schools Forum to make a recommendation to the council.</p> <p>Recommendation 2 balances the funding needs of schools with the need to reduce the annual high needs funding gap, recognising the limitations in achieving a higher level of funding transfer from mainstream schools funding.</p> |
| Portfolio Holder(s): | Councillor Richard Burton, Children's Services. |
| Corporate Director | Cathi Hadley, Director of Children's Services |
| Report Authors | <p>Nicola Webb, Assistant Chief Finance Officer nicola.webb@bcpcouncil.gov.uk Amanda Gridley, Service Manager - Early Years and Family Hubs amanda.gridley@bcp.gov.uk</p> |
| Wards | Council-wide |
| Classification | For Decision |

Background

1. The DSG is allocated by the DfE through 4 separate funding blocks – early years, schools, high needs, and central school services with a total estimated for 2024/25 of £363 million provided in the settlement announced on 19 December 2023. The main driver of funding levels is pupil numbers.
2. A summary of the schools DSG settlement for 2024/25 is provided in table 1 below.

Table 1: DSG Funding Settlement 2024/25

| Funding Block | 2023/24 Forecast | 2024/25 Forecast | Annual Change | | Reasons for change |
|----------------------|------------------|------------------|---------------|-------------|--|
| | £000's | £000's | £000's | % | |
| Early Years * | 21,093 | 35,054 | 13,961 | 66.2% | New entitlements and increased funding rates |
| Schools ** | 259,573 | 264,765 | 5,192 | 2.0% | Increased funding 1.9% / 0.1% net pupil growth |
| Central Services | 2,023 | 2,021 | -3 | -0.1% | Reduced commitment funding |
| High Needs | 59,162 | 60,920 | 1,758 | 3.0% | Increased funding but not representative of demand increase. |
| Total Funding | 341,852 | 362,760 | 20,908 | 6.1% | |

The table above excludes * the additional early years funding in 2023/24 for the period from September (subsumed in the funding rates for 2024/25) and ** the teacher's pay grants for schools remaining outside the DSG in both years.

3. Each funding block has its own national funding formula (NFF) methodology to allocate funding to the local authority with the School and Early Years Finance Regulations 2023 (England) imposing some restrictions in how funding can be allocated to early years providers and schools as well as detailing the central expenditure that can be charged to the grant within each block.
4. The Schools Forum is a statutory consultation body of the council with its constitution and operation regulated by the DfE. It has oversight of all DSG budgets with a range of decision-making powers.
5. The Schools Forum includes representation from stakeholders across BCP. Members are drawn from the early years sector, each phase of school (primary, secondary, special, and alternative provision), each status (maintained and academy) plus an age 14-19 provider. Lead officers and the Cabinet members for children's services and resources can contribute at meetings but are non-voting members of the forum.
6. The regulations set out the responsibilities for decision-making between the Council and the Schools Forum, including any consultation requirements.
7. The Schools Forum decides the level of central expenditure retained from each funding block, except for high needs, for which it has a consultation role only. It also decides if funding can be transferred away from the schools block up to a maximum of 0.5%, with any higher level requiring the approval of the DfE.
8. Funding through the central school services block is used to support a range of council services supporting schools (for example, the school admission service) with the decision regarding the use of funding made by the Schools Forum. It was agreed in December 2023 that the level of DSG funding from this block can be used to fund the relevant council services.
9. Schools Forum is to make recommendations, following consultations with each sector, regarding the early years and mainstream schools funding formulae with the decisions to be made by Council.

Early Years Single Funding Formula (EYSFF)

10. The early years block funds the local early years single funding formula (EYSFF) as well as a range of council services supporting the early years free entitlements.
11. In the government's 2023 Spring Budget, the Chancellor announced a major expansion of childcare support aiming to remove barriers to work for parents with children under three in a bid to help more parents return to work. This will be in the form of up to 30 hours childcare support for every child over the age of 9 months with working parents by September 2025.
12. In July 2023, the DfE launched a consultation for the expansion in 2024/25. This highlighted the Department's approach to funding for 2-year-olds and younger with the responses and funding rates for each authority published in late November 2023.

13. The announced measures will be rolled out in stages, so that Local Authorities and childcare providers can prepare to deliver such a major expansion:
- 15 hours funded childcare for working parents of 2-year-olds from April 2024 (currently available only to families with low incomes)
 - 15 hours of funded childcare for working parents of children 9 months and older from September 2024 (currently no availability for children under 2).
 - 30 hours of funded childcare for working parents of children 9 months and older from September 2025
14. Local consultation with the early years sector for 2024/25 funding is taking place in January 2024, with the outcome to be presented to Schools Forum on 6 February where a recommendation for the 2024/25 EYSFF is to be made to the council.
15. Due to the timeline for consultation and need to agree funding rates for providers before 31 March it is recommended that Council delegate the final decision to Cabinet on 6 March 2024.
16. The current funding arrangements through the EYSFF for early years providers in 2023/24 and the detail of DSG funding provided for 2024/25 is set out in Appendix 1 for further context.

High Needs Block

17. The high needs block largely funds the costs of meeting the needs of individual pupils through top up funding for those in mainstream schools and funding for pupils in special schools and other specialist providers. The pressures on this budget have been identified as a national issue following legislative changes in 2014 which significantly increased the number of pupils eligible for additional funding through education, health, and care plan (EHCP) assessments. Further pressures have been created by the high level of permanent exclusions from mainstream schools.
18. The high needs annual funding gap has grown rapidly in BCP, from £5 million in 2019/20 to £15.5 million in 2022/23, with the current projection for 2023/24 at £27 million. The DSG accumulated deficit has risen accordingly, with an estimate of £63 million for March 2024.
19. Fundamental to reducing the funding gap is the need to create more local special school places as well as mainstream schools becoming more inclusive to avoid the need to place in more expensive specialist settings.
20. Any transfer of funding from the schools block to support high needs can be agreed by the Schools Forum for only one year at a time and being limited within the regulations to 0.5% of school block funding. It has remained at this level each year since the restriction was implemented and equates to £1.3 million in 2024/25.
21. The Schools Forum on 13 December 2023 agreed that only surplus schools block funding could be transferred to support the high needs budget and all schools should receive their NFF allocations in full. The final funding allocations and the October 2023 school census data were provided by the DfE on 19 December 2023 with the surplus school block funding estimated at £0.4 million (0.1%) for 2024/25.
22. A larger surplus is no longer available due to the impact of school data changes between years and the amount needed to support growing schools. Any transfer above this level would mean mainstream schools not receiving their full NFF allocations and receiving an average increase of less than 2%.

23. On 15 January 2024 this was considered further with the Schools Forum to take account of the final DSG settlement and in the light of the draft DSG management plan submitted to the DfE on 15 December that was unavailable at the time of the school funding consultation and 13 December meeting.

DSG Management Plan – 15 years 2024-2039

24. A deficit management plan has been developed as part of the DfE safety valve (SV) programme. This programme is designed to help councils bring their high needs deficits under control whilst providing a good service to meet pupil needs.
25. The summary plan is included at Appendix 2. Children's Services are required to develop a robust action plan in early 2024 to establish how the reduced expenditure levels in the plan can be achieved.
26. As the plan does not achieve an in-year balanced DSG position until year 15 (2038/39) without further funding sources added, the accumulated deficit will continue to grow annually from the estimated £63 million at the end of March 2024 to £302 million by March 2038.
27. The initial SV meetings with DfE advisers established that no special arrangements will be made that will allow local authorities in the programme to opt out of the school funding regulatory framework. This includes the protections for individual mainstream schools through the underlying principles of the national funding formula (NFF), such as the minimum funding guarantee (MFG) which provides for a minimum increase in per pupil funding between financial years. In 2024/25 the local formula should set a minimum increase between 0% and 0.5%. The regulations also require that absolute minimum per pupil funding levels (MPPFL) are provided to schools, with the DfE agreeing lower values only in exceptional circumstances.
28. The DSG management plan provided to the DfE illustrated that a school block transfer of 11% was needed to balance the annual DSG budget for 2024/25. This level would see individual school formula allocations reduce by an average of 9% compared with 2023/24. The individual school impact would depend on the local funding formula implemented.
29. The DfE adviser provided informal feedback on the DSG management plan on 10 January. It was considered to be a thorough and diligent piece of work with sufficient ambition in controlling further rises in expenditure but not without risks to its delivery.
30. The plan demonstrated that the rapid increase in recent years of the number of pupils supported and associated placement decisions, have left a high level of spending commitments for the future. This makes achieving a balanced budget within 5 years extremely difficult unless implausible assumptions are made. Comments included that it is clear that all possible options have been explored for bringing about an in year balance by 2028/29, the general requirement for a safety valve deal.
31. The adviser concluded that it is highly doubtful that the plan will be acceptable to the DfE Ministers in terms of securing a safety valve agreement. It was also considered very doubtful that a school block transfer at the level needed to balance annually could be agreed.
32. On 12 January, the DSG management plan submission was finalised with a request for the DfE to fund the remaining funding gap after allowing a 0.5% contribution from the schools block in 2024/25 and rising to 1% for each year thereafter. As the funding gap was shown not to be eliminated until 2038/39 the DfE contribution over this period would be £239m.

Mainstream School Funding Formula 2024/25

33. The mainstream schools NFF is updated annually by the DfE. Formula factor unit values are updated and applied to school data for the previous year (2024/25 NFF uses data from October 2022). Individual school amounts from this calculation are totalled and divided by overall pupil numbers to derive the primary and secondary school phase unit funding levels. These are then fixed for 2024/25 and applied to the October 2023 census pupil numbers to determine the final schools NFF funding to the council.
34. The schools NFF for 2023/24 provided increased funding of 2.5% from a combination of higher funding values, data changes and rising pupil numbers. This was supplemented by a separate grant, mainstream school additional grant (MSAG) with the funding increase for mainstream schools 5.9% overall at the start of the year. The MSAG funding is rolled into the NFF for 2024/25 with funding increases considered against this baseline.
35. In addition to the NFF and MSAG, further funding was provided for schools from September 2023 to take account of the teacher's pay settlement. This funding through the separate teacher's pay additional grant (TPAG) is determined by the DfE and is to remain outside the DSG in both 2023/24 and 2024/25.
36. The July 2023 announcements for the mainstream schools NFF provided the details of the updated unit values in the NFF for 2024/25 and the limitations for variation in the local formula. Only limited movement away from the NFF is permitted without DfE approval. However, the unit values were subsequently reduced by the DfE in the autumn resulting in an average increase of only 1.6% before any changes in pupil numbers were reflected in funding levels.
37. The schools funding block of £264.8 million in Table 1 provides for the mainstream school formula and the central growth fund that must be established for agreed in-year pupil growth. Some growth is provided to schools through the formula (circumstances for intrinsic growth funding is set out in DfE guidance) and there is no expectation that the overall level of growth funding should match the related NFF allocation. The Schools Forum in December 2023 agreed the policy for the central budget (for extrinsic growth) and the resulting level of the growth fund in January 2024.
38. After the level of the growth fund is agreed, the balance of funding is available for the mainstream formula and any transfer to high needs. A summary of the position if all schools were to receive their full NFF allocations is set out below in Table 2:

Table 2: Schools Block Funding 2024/25

| Allocation of Funding | £000's |
|---|---------------|
| DSG schools block allocation in table 1 | 264,765 |
| Central growth fund agreed by Schools Forum | (134) |
| Mainstream Formula at NFF – including intrinsic growth | (264,248) |
| Transfer to high needs agreed by Schools Forum - surplus only | (383) |
| Balance of Funding | 0 |

39. Surplus funding in the schools block has been reducing over time, from £1.3 million in 2021/22, £0.8 million in 2022/23, £0.4 million in 2023/24 and 2024/25. As the proportion of schools funded by the NFF (rather than through the fixed MPPFL or MFG protection) has been increasing, data movements between years have a greater impact on the level of funding provided to schools through the local formula. The DSG schools block

allocation will not reflect these data changes until 2025/26 as it uses data lagged by one year to calculate the primary and secondary units of DSG funding.

40. Options to derive a higher level of transfer from the schools block than £0.4 million by reducing NFF allocations were considered with the schools forum on 15 January 2024. This was to reflect on the previously unseen draft DSG management plan submitted in December.
41. Appendix 3 provides the details of the NFF, consultation undertaken with schools and Schools Forum and the outcome of discussions on 15 January 2024.
42. Schools Forum did not support any transfer to high needs above surplus schools block funding. The main recommendation of Schools Forum, therefore, is that the local mainstream formula should replicate the NFF.
43. However, if a transfer of 0.5% was requested of the Secretary of State (SoS) by the Council and it was agreed then it was recommended that all schools should contribute funding to the transfer, including those with MPPFL allocations.
44. In recognition that reducing the MPPFLs to enable all schools to contribute also required SoS approval, in the event that is not agreed then the recommendation was that the formula should replicate the NFF with a cap implemented for those schools with the greatest per pupil increases compared with 2023/24.

Proposed mainstream formula and transfer to high needs 2024/25

45. The proposed mainstream formula for 2024/25 in Appendix 3a for Council approval is based on:
 - a. A transfer of 0.5% of schools block funding and can be implemented only if the SoS grants approval to transfer more than the amount agreed by Schools Forum (option 2 in Appendix 3) with NFF allocations for schools able to be reduced.
 - b. The (slim) majority recommendation of Schools Forum that if the SoS agrees that NFF allocations can be reduced then all schools should contribute to the transfer. In this recommendation the SoS is required to also agree that the MPPFL unit values can be reduced below the statutory minimum in the NFF (option 2a in Appendix 3).
 - c. The proposed adjustments to the NFF to enable all schools to contribute are as follows:
 - i. reducing MPPFL unit values by 0.45% (requiring DfE approval)
 - ii. setting an MFG of 0.4% (within the regulations of between 0% - 0.5%)
 - iii. reducing the basic entitlement by 0.45% (within the 2.5% tolerance permitted)
46. If the SoS agrees that a 0.5% transfer can be made but does not agree that the MPPFL unit values can be reduced below the NFF then the proposed formula is instead the NFF unit values with a cap implemented to limit the largest gains to 1.47% per pupil (the next preference of Schools Forum - option 2b in Appendix 3).
47. If the SoS does not permit a higher level of transfer than agreed by Schools Forum and only surplus schools block funding can transfer to high needs, then it is proposed that the local mainstream formula is to continue to be the NFF set out in Appendix 3a.

Options Appraisal

48. Options for the mainstreams schools formula were considered in the consultation processes with schools and Schools Forum with the transfer level from the schools block considered with the DfE advisers as set out in the background papers and the body and appendices of this report.

Summary of financial implications

49. The financial implications for schools and the accumulated DSG deficit are included in the body of the report, appendices and January 2024 Schools Forum papers (link below).
50. The impact of the growing accumulated DSG deficit is considered further in the Budget and Medium Term Financial Plan (MTFP) 2024/25 report on the Cabinet agenda.

Summary of legal implications

51. The consultations undertaken or in progress are compliant with the School and Early Years Finance Regulations 2023 (England).
52. The above regulations provide that the funding rates for early years settings must be provided to the sector by 31 March 2024.
53. The regulations provide that the mainstream school budgets must be finalised and notified to maintained schools by 28 February 2024 with the DfE timetable the same for mainstream academies.
54. The mainstream school formula proposal requires the support of the DfE to agree a disapplication to some of the requirements for 2024/25. This decision may be awaited at the time of the February Council meeting with delegation arrangements to be agreed should this occur.

Summary of human resources implications

55. There are no human resources implications for the council. Any implications from funding levels are for early years providers and schools.

Summary of sustainability impact

56. None.

Summary of public health implications

57. Should appropriate funding not be allocated to meet the needs of pupils with SEND within BCP, there may be health and well-being implications for this group of the population leading to reduced health equalities locally.

Summary of equality implications

58. An equalities impact assessment has not been undertaken. The DfE have undertaken equality impact assessments in determining the structure of the funding formulae and how funding is to be allocated. The local formulae are aligned with the national schemes.

Summary of risk assessment

59. There are no risks to the council from the implementation of the funding formula within the Regulations and published guidance. However, the main risk relates to the high needs funding gap in the longer term.

Background papers

Schools Forum papers:

15 December 2023:

- School funding consultation and outcome
- Draft DSG Management Plan

[BCP Council – Democracy \(ced.local\)](https://ced.local)

15 January 2024:

- Mainstream schools formula recommendation
- Final DSG Management Plan

[BCP Council – Democracy \(ced.local\)](https://ced.local)

Appendices

Appendix 1 Early Years Funding

Appendix 2 Mainstream Schools NFF and local formula options 2024/25

Appendix 3 DSG Management Plan submitted to the DfE - 15 December 2023