

Subject	<b>DSG Settlement and Draft Budget for 2025-26</b>
Meeting Date	13 January 2025
Status	Public Report
Executive Summary	<ol style="list-style-type: none"> <li>The DSG Settlement for 2025-26 was received on 18 December 2024. It included: <ol style="list-style-type: none"> <li>Indicative allocations for the early years block, with the 47% increase of £17m to £53.5m reflecting the phased expansions of the free childcare entitlements for working parents and increase in hourly funding rates.</li> <li>Final allocations for the school's block based on the October 2024 schools census, with the increase of 1.7% to £280.7m through the schools NFF reflecting higher factor unit values and an increase in pupil characteristic data partially offset by a net reduction in pupil roll.</li> <li>Final allocations for the central school services block of £2.2m, providing an increase of 3.5% for on-going functions, including for the national insurance increase from April 2025.</li> <li>Indicative allocations for the high needs block are for an increase of £3.8m (6.2%) to £64.5m.</li> </ol> </li> <li>A draft DSG budget for 2025-26 is provided in the Appendix to provide context for decisions on the meeting agenda. The funding gap for high needs pupils is projected to be £57.5m.</li> <li>The report also includes budget monitoring information for quarter three 2024-25. This indicates that the accumulated DSG deficit is projected at £108m for March 2025, rising to £165.5m by March 2026.</li> </ol>
Recommendations	<ol style="list-style-type: none"> <li><b>To note the contents of the report.</b></li> <li><b>To agree the budgets within the central schools services block (CSSB) as detailed in paragraph 20.</b></li> </ol>
Reasons for Recommendations	<ol style="list-style-type: none"> <li>The Schools Forum is to be notified of the DSG settlement and consulted on the budget annually.</li> <li>Schools Forum is to agree the budgets within the CSSB and has a consultation role for the high needs block.</li> <li>The schools and early years blocks are considered in separate papers on the meeting agenda.</li> </ol>
Portfolio Holder(s):	Councillor Richard Burton, Children and Young People

Corporate Directors	Cathi Hadley, Director of Children's Services
Report Author	Nicola Webb – Assistant Chief Finance Officer Email: <a href="mailto:nicola.webb@bcpcouncil.gov.uk">nicola.webb@bcpcouncil.gov.uk</a>
Wards	Council-wide
Classification	For information and decision

## 2025-26 DSG Settlement on 18 December 2024

1. The December Settlement information for 2025-26 compared with the current year is included in Table 1 below:

**Table 1 – DSG December Settlement 2025-26**

Funding Block	Forecast	Announced	Annual Change	%
	2024-25	2025-26		
	£000's	£000's		
<b>Early Years</b>				
2-year olds Entitlement	9,546	14,021	4,475	46.9%
3-year olds Entitlement	21,599	22,525	926	4.3%
Under 2 year olds	4,893	16,390	11,497	235.0%
Pupil Premium	264	384	120	45.5%
Disability Access Fund (DAF)	216	229	13	6.0%
<b>Total Early Years (DfE estimated)</b>	<b>36,518</b>	<b>53,549</b>	<b>17,031</b>	<b>46.6%</b>
<b>Schools Block</b>				
Primary	128,007	135,585		
Secondary	133,047	145,124		
Supplementary grant	14,951	<i>subsumed above</i>		
<b>NFF available for local formula</b>	<b>276,005</b>	<b>280,709</b>	<b>4,704</b>	<b>1.7%</b>
Premises	1,832	1,930	98	5.3%
Growth	1,879	2,133	254	13.5%
<b>Total Schools (final)</b>	<b>279,716</b>	<b>284,772</b>	<b>5,056</b>	<b>1.8%</b>
<b>Central School Services</b>				
NFF	1,820	1,885	64	3.5%
Commitments*	291	291	0	0.0%
<b>Total Central School Services</b>	<b>2,111</b>	<b>2,176</b>	<b>64</b>	<b>3.0%</b>
<b>High Needs (gross**)</b>				
NFF	60,710	64,472	3,762	6.2%
<b>Total High Needs</b>	<b>60,710</b>	<b>64,472</b>	<b>3,762</b>	<b>6.2%</b>
<b>Total Funding</b>	<b>379,056</b>	<b>404,969</b>	<b>25,913</b>	<b>6.8%</b>

\* Assuming historic commitments funding will be fully restored in March 2025 \*\*Deductions are made for place funding in academies

## Early Years Block

2. The published information includes indicative allocations only and these will be updated based on future termly data returns.
3. 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.
4. The funding includes for the expansions of the free entitlements for working parents from September 2025 (for children aged 2 and those aged between 9 months and 2 years).

## Schools Block

5. School Block allocations are final for 2025-26. The primary and secondary units of funding have been updated to reflect the new unit values for factors in 2025-26 and data from the October 2023 school census with the per pupil result applied to pupil numbers at October 2024. Growth fund allocations have been determined according to the national approach.
6. Table 2 below provides a summary of pupil allocations. Nationally, pupil numbers have been declining for some years with BCP now joining the trend with 344 (0.7%) fewer pupils overall at October 2024.

**Table 2: Mainstream Schools Final NFF 2025-26**

	December 2023 Settlement (including rolled in grants)			December 2024 Settlement			Change
	Pupil Numbers	Average Unit Value £	Funding £000's	Pupil Numbers	Unit Value £	Funding £000's	Funding £000's
Primary	26,792			26,296	5,156.12	135,585	
Secondary	20,835			20,987.50	6,914.78	145,124	
<b>Total NFF</b>	<b>47,627</b>	<b>5,795.14</b>	<b>276,005</b>	<b>47,283.5</b>		<b>280,799</b>	<b>4,794</b>

7. Compared with the October 2023 census, the primary roll reduced by 496 pupils and the secondary roll increased by 152. Secondary growth is expected to continue in September 2025 with primary pupils continuing to reduce.
8. The October 2024 school census data used to calculate individual school budgets arrived also in December with options for the local funding formula evaluated and considered further in a separate paper on the agenda.
9. Updated school data from the October 2024 census is not reflected in the NFF primary and secondary units of funding until 2026-27. The pupil characteristics included in the NFF have continued to increase each year since covid with unused growth funding needed to top up the NFF allocations to be affordable in full.

## Central School Services Block (CSSB)

10. The funding rate per pupil for the CSSB for on-going functions is £39.86 (previously £38.22 including the in-year increase for the DfE nationally agreed subscriptions and licences). This represents an increase of 4.1% in unit costs but the reduction in pupils reduces the overall growth to 3.5%.

11. The funding for historic commitments has not yet been restored to previous levels but it is assumed in table one that the submission to the DfE will be successful as in previous years.

### **High Needs Block**

12. Indicative high needs block allocations were announced in December to reflect the updated NFF values and October 2024 school census. The high needs NFF has increased by £3.8m to £64.5m, representing an increase between years of 6.2%.
13. Over 90% of the NFF for high needs is protected by a floor increase of 7% per head of the 2-18 population and with the child population reducing in BCP the increase is less than this headline rate.
14. The deduction for the cross-border flow of pupils based on the January 2025 (currently included at £1.9m from January 2024) will be updated in summer 2025.
15. Specialist providers receive place funding (amount set by DfE) plus top up funding (set by local councils according to pupil needs through band funding). The MFG applies to top up funding and for 2025-26 has been set by the regulations at 0% uplift from the 2024-25 funding level. The DfE need to agree any disapplication of the regulations and the individual school must be consulted. The local special school banding review is scheduled to conclude in 2025-26.
16. The core school budget grant (CSBG) will continue as a separate grant for specialist providers in 2025-26. It covers the continuation of 3 the separate pay grants received in 2024-25 with allocation details published on 18 December. Councils can simply pass on the allocated amounts directly to providers or use an alternative method after undertaking consultation with the schools concerned. In either case, the total grant must be passed on to providers. BCP intends to pass on the amounts received directly as in previous years.
17. A further grant to compensate specialist providers for the planned increase in their national insurance contributions from April 2025 will also remain outside the DSG top up funding with allocation details expected in early 2025.

### **Draft DSG Budget 2025-26**

18. The Appendix includes a draft budget for 2025-26 with the budget and year end forecast for 2024-25 shown for comparison. The high needs DSG funding shortfall for 2025-26 is projected at £60m as reported in November.
19. The assumptions in the draft budget for 2025-26 include:
  - a. The mainstream school formula is shown as allocated according to the NFF.
  - b. The growth fund is shown as proposed within the mainstream school funding paper on the agenda. If an alternative is agreed, then the amount of the school's block surplus would change by an equivalent amount.
  - c. The high needs adjustment in summer 2025 will be minimal and not change the funding gap (funding could increase or decrease dependent on high needs placements at January 2025).
  - d. The innovation fund of £2.8m has not been included in high needs expenditure and surplus schools block funding of £1.1m is shown as unallocated. These are dependent on Schools Forum and DfE decisions.

- e. The early years central retentions are made according to the proportion of funding agreed in principle at the November meeting.
  - f. Central schools services expenditure is set at the level of funding.
20. The detail of the proposed budgets in the CSSB for agreement are included in Table 3 below:

**Table 3: Proposed CSSB Expenditure 2025-26**

<b>Expenditure Budgets</b>	<b>2024-25 £000's</b>	<b>Change £000's</b>	<b>2025-26 £000's</b>
School admissions and access arrangements	410	12	422
Licenses purchased by DfE *	342	18	360
Servicing Schools Forum	10	(1)	9
Ex ESG services all schools:			
- Statutory and Regulatory Duties **	463	18	481
- Education Welfare	437	13	450
- Asset Management	157	5	162
Commitments – premature retirements (ex DCC)	17	0	17
Commitments – ASD Base / other	275	0	275
<b>Total Expenditure</b>	<b>2,111</b>	<b>65</b>	<b>2,176</b>

\*The cost of licenses for 2025-26 have not yet been notified by the DfE with an estimate included in the above table.

21. The funding was uplifted during 2024-25 to allow for an increase in licenses and subscription costs as the DfE had not concluded negotiations by the December 2023 settlement announcements. Separate grant funding was received to allow for the 2024-25 pay award which was allocated across the CSSG budgets. The DfE has rolled these amounts into the per pupil funding rate for on-going functions in 2025-26.

### **DSG Budget Monitoring 2024-25 at Quarter Three**

22. The 2024-25 forecast outturn position at the end of quarter three is an in-year deficit of £44.5m as reported in November and set out in the appendix.
23. The early years funding is projected above budgeted levels with the corresponding increase in payments to providers with the block, therefore, forecast to be in a broadly balanced position.
24. The high needs block is projected with a £16.5m overspend, a similar level as reported in the autumn. This equates to a £44.5m funding gap. This is due particularly to the on-going high demand for specialist and bespoke provision for pupils with an EHCP or excluded from a mainstream school. There are no signs yet that the trajectory for the high needs funding gap has changed.

### **Financial Implications - DSG cumulative deficit**

25. There is currently a projected DSG deficit at the end of March 2025 of £108m, rising to £165.5m at March 2026 with the addition of the projected £57.5m funding shortfall for high needs in 2025-26.

**Table 3: Summary position for dedicated schools grant at March 2025 and 2026**

	£m
<b>Accumulated deficit 1 April 2024</b>	<b>63.5</b>
Budgeted shortfall 2024-25	28.0
Projected overspend	16.5
<b>Projected deficit 31 March 2025</b>	<b>108.0</b>
Projected high needs funding shortfall 2024/25	57.5
<b>Projected Deficit 31 March 2026 (surplus invested)</b>	<b>165.5</b>
Currently unallocated surplus	(1.1)
<b>Projected deficit 31 March 2026 (surplus not invested)</b>	<b>164.4</b>

26. Conversations are on-going with government in seeking a solution to mitigate the impact of the high level of unfunded expenditure.
27. The Commons Education Committee has launched an inquiry into the crisis in provision for children with special educational needs and disabilities (SEND), with chair Helen Hayes saying MPs are seeking to find practical solutions to the problems in the sector, rather than just identify problems. It was noted that while there has been a great deal of analysis of the issue, the committee will focus on where reform is needed, what good practice could look like and what lessons can be learned.

### **Legal Implications**

28. Schools Forum must be advised of the DSG Settlement for 2025-26 and be presented with a draft budget to consider as part of the annual consultation process.
29. Schools Forum also has a range of decision making powers with those for the CSSB included in this report.

### **Summary of human resources/sustainability/public health implications**

30. None

### **Summary of equality implications**

31. An equalities impact assessment has not been undertaken as the operation of the DSG and expenditure to be met from each block is prescribed by the DfE. The council is running a large DSG deficit to support pupils with additional needs.

### **Summary of risk assessment**

32. The main risk within the DSG relates is the high needs funding gap for which there is currently no government solution.
33. There continues to be a risk that projected costs will rise further with activities to reduce budget demand not delivering outcomes as required.

## **Background Papers**

34. DfE DSG Settlement announcements 18 December:

[dedicated schools grant \(DSG\) funding allocations for the 2025 to 2026](#)

## **Appendix**

DSG Budget Monitoring 2024-25 and Draft Budget 2025-26

## Appendix

## Budget Monitoring 2024-25 and Draft Budget 2025-26

	2024-25 Monitoring			2025-26 Draft Budget				
	Total Budget £000's	Forecast		Early Years £000's	Schools £000's	Central Services £000's	High Needs £000's	Total Budget £000's
		Outturn £000's	Variance £000's					
DSG under 2 year olds NFF	-4,141	-4,894	-753	-16,389				-16,389
DSG 2 year olds NFF	-9,140	-9,545	-405	-14,021				-14,021
DSG 3 year olds NFF	-21,229	-21,599	-371	-22,525				-22,525
DSG Pupil Premium	-330	-264	66	-384				-384
DSG DisabilityAccess Fund	-215	-215	0	-229				-229
DSG Prior Year	0	-33	-33					0
DSG Schools NFF	-261,054	-261,054	0		-280,709			-280,709
DSG Premises	-1,832	-1,832	0		-1,930			-1,930
DSG Growth Fund NFF	-1,879	-1,879	0		-2,133			-2,133
DSG High Needs NFF	-60,858	-60,710	148				-64,472	-64,472
DSG Central School Services NFF	-2,078	-2,111	-34			-2,176		-2,176
<b>Total Funding</b>	<b>-362,755</b>	<b>-364,137</b>	<b>-1,382</b>	<b>-53,549</b>	<b>-284,772</b>	<b>-2,176</b>	<b>-64,472</b>	<b>-404,969</b>
Providers - under 2 year olds	3,830	4,526	695	14,959				14,959
Providers - 2 year olds	8,546	8,945	399	13,166				13,166
Providers - 3 and 4 Year olds	19,637	20,285	648	20,867				20,867
Providers SEN top up grants	1,380	1,399	18	2,257				2,257
Early Years Pupil Premium	330	264	-66	384				384
DisabilityAccess Fund	215	215	0	229				229
Contingency	254	0	-254	352				352
Early Years LA duties	863	884	21	1,335				1,335
Mainstream Schools Formula	263,307	263,307	0		283,514			283,514
Growth Fund - budget	134	63	-71		150			150
School Admissions	410	410	0			422		422
Servicing Schools Forum	10	10	0			9		9
Ex ESG Services (all schools)	1,057	1,057	0			1,093		1,093
Premature retirements committed	17	17	0			17		17
ASD Base / other committed	275	275	0			275		275
Licences Purchased by DfE	342	343	0			360		360
Place Funding	14,931	15,416	484				18,518	18,518
Top up Funding - State Sector	31,689	32,433	744				33,828	33,828
Top up Funding - Independent/NMSS	20,994	29,552	8,558				31,237	31,237
Top up Funding - Post Schools	9,029	7,673	-1,357				11,982	11,982
Top up Funding - Pre schools	107	450	343				374	374
Top up Funding - Excluded Pupils/AP	2,422	4,307	1,886				4,500	4,500
Commissioned Services	1,771	1,285	-486				2,809	2,809
Hospital Education Top up	0	68	68				100	100
Bespoke SEN /Therapies	2,744	11,431	8,686				14,238	14,238
Supportfor Inclusion	160	137	-23				200	200
Special Teachers Pay & Pension	1,925	1,971	46				2,000	2,000
Inclusion Fund	2,750	123	-2,628				0	0
Early Years Central SEN support	869	866	-4				1,266	1,266
Sensory Impaired Service	876	922	46				922	922
<b>Total Expenditure</b>	<b>390,874</b>	<b>408,632</b>	<b>17,758</b>	<b>53,549</b>	<b>283,664</b>	<b>2,176</b>	<b>121,974</b>	<b>461,363</b>
<b>In-year (Surplus) / Deficit</b>	<b>28,119</b>	<b>44,495</b>	<b>16,376</b>	<b>0</b>	<b>-1,108</b>	<b>0</b>	<b>57,502</b>	<b>56,394</b>
<b>Deficit brought forward</b>	63,512	63,512						108,007
<b>Deficit carried forward</b>	<b>91,631</b>	<b>108,007</b>						<b>164,402</b>



