

Document QG

Dedicated Schools Grant 2024/25 – Briefing Note

This briefing note is written following the DfE's announcement of 2024/25 Dedicated Schools Grant (DSG) arrangements that was made on 17 July 2023. Please read this note alongside Appendix 1 (the DfE's National Funding Formula policy summary document for 2024/25).

A detailed briefing on the Early Years Block for 2024/25 is presented separately in Document QF.

1. 2024/25 will be the seventh year of National Funding Formula (NFF) within the Dedicated Schools Grant (DSG).
2. For the **Schools Block**, the DfE has stated its intention for the 'hard' National Funding Formula (NFF) to be fully implemented at the latest by the 2027/28 financial year. Following the 'tightening' that was directed at April 2023, the DfE records that progress continues to be made by local authorities towards the full mirroring of the NFF at local level. In 2023/24, 2/3rds (106 out of 151) of authorities directly (or closely within 2.5%) mirrored the NFF within the Schools Block at local level. We were one of these. 133 authorities set a Minimum Funding Guarantee (MFG) at positive 0.5%. We were one of these.
3. Further 'directed' movement, towards the fuller adoption of the 'hard' NFF in the Schools Block, is confirmed for 2024/25. For mainstream primary and secondary formula funding, all authorities must again use all NFF factors (and only these factors), and authorities that do not currently mirror the NFF must move a further 10% closer. Authorities that currently mirror the NFF (as we do) must stay within 2.5% of the NFF formula factor variable values.

For 2024/25, the DfE has introduced a **new split sites factor**, which is mandatory. This will replace our existing locally determined split sites factor. Aside from this specific change, as we directly mirror the NFF, and have done since 2018/19, the continued 'tightening' requires minimal response within our arrangements for 2024/25. Subject to affordability (following our assessment of the cost of 'data lag' between the October 2022 and October 2023 censuses), we expect to continue to directly mirror the NFF. As in 2023/24, we continue to be formally required to include the NFF sparsity factor in our local formula. However, this is a 'tick box' exercise only, as none of our schools and academies qualify for sparsity funding due to their size.

The DfE continues to provide (and has updated for 2024/25) specific additional [guidance](#) to authorities on the calculation of **notional SEND budgets** within mainstream primary and secondary formula funding allocations and continues to advise that authorities must annually review their approaches. However, as for 2023/24, the 2024/25 guidance does not constitute a 'direction' and does not prescribe how notional SEND must be defined, though we do expect that prescription will soon come following the national SEND Review and the final full implementation of the 'hard' NFF. We will discuss the on-going review of our notional SEND definition in a separate report to the Forum. We made some adjustments to our definition in 2023/24, to improve fairness and to bring us more into line with other local authorities. We are likely to propose some small adjustments to our definition in 2024/25, in response to what the latest benchmarking tells us about the most recent positions in other authorities.

Authorities continue to be permitted to adopt **Targeted SEND (EHCP) support funding** arrangements for mainstream schools and academies in 2024/25. Whilst encouraging their use, the DfE has re-iterated the expectation that funding support of this kind would be allocated only to a minority of schools that have exceptionally higher levels of SEND (no.s of EHCPs). Only 33 (1/5th) authorities declared some form of SEND Funding Floor / Targeted Additional SEND funding arrangement in their APT in 2023/24. We were one of these.

For 2024/25, the DfE has amended **Growth Fund and Falling Rolls Fund** Schools Block funding as well as allocation criteria. The DfE has also introduced some new mandatory requirements. This is a specific change that we will need to respond to within our arrangements locally. This will be further discussed in a separate report to the Forum as part of the wider Schools Block consultation. The DfE has confirmed that Growth and Falling Rolls

Funds will continue to be managed locally under the 'hard' NFF framework and that changes to these mechanisms, to improve their value and the consistency of approach between local authorities, will be made gradually. We expect more changes to come in 2025/26. The way that Growth Fund funding is allocated by the DfE to local authorities has not changed. However, for the first time in 2024/25, the DfE will allocate Schools Block funding to local authorities for falling rolls. Previously, all falling rolls fund spending was required to be met via top-slice from other Schools Block funding. This is a positive step. For reference, 132 authorities retained a Growth Fund in 2023/24. We were one of these. However, only 20 authorities declared a Falling Rolls Fund in 2023/24. We were one of these (although we do not anticipate incurring any spend this year).

The DfE has stated that **the funding of PFI** will be brought into the 'hard' NFF within the Schools Block. However, PFI funding remains outside the NFF in 2024/25 and there is currently no timescale for this being brought into the NFF. On this basis, we expect to continue our current local arrangements in 2024/25 and to look out for DfE consultation on this matter.

For reference and wider awareness, the DfE has confirmed that authorities can continue to use the **Reception Uplift factor** in 2024/25, but that use of this factor will not be permitted from April 2025. We did not use the Reception Uplift factor in 2023/24 and we do not anticipate using this factor in 2024/25.

4. The **Mainstream Schools Additional Grant (MSAG)** (£17.0m), which was introduced for mainstream primary and secondary schools and academies in 2023/24, is continued in 2024/25 but has been amalgamated into the Schools Block. This means that the NFF will allocate this grant and primary and secondary schools and academies should no longer budget for a separate allocation (otherwise they will double count this funding). The additional £4.8m that was added to the High Needs Block in 2023/24 from the Autumn 2022 Statement is continued within our High Needs Block allocation in 2024/25. Attached to this additional funding, the 2024/25 DSG conditions require local authorities to continue to pass through to special schools, special school academies, PRUs and AP Academies the additional "3.4% place-element" funding that was allocated in 2023/24.
5. Attached to the proposed teachers' pay settlement for September 2023, the DfE has announced a **new Teacher Pay Grant (TPG)** for primary and secondary schools and academies, beginning September 2023. This [new TPG](#) will continue as a separate grant in the 2024/25 financial year and will only be merged into the NFF in 2025/26. A new TPG will also be allocated to special schools, special school academies, PRUs and AP academies, but with each authority receiving a block allocation to decide locally how to allocate. We will consult with relevant providers on this early in the autumn term. Again, this new TPG for special schools et al will be in place from September 2023, and will remain as a separate grant during the 2024/25 financial year.
6. We have previously warned that the employers contribution to teacher pension is due for re-assessment at April 2024, with it being widely anticipated that this contribution will increase. Whilst we have not yet picked up any formal announcements from the DfE, we have read an article which indicates that the Treasury will be allocating additional monies to government departments to support the increased cost of pension contributions. When this happened previously in 2019, the DfE established a **Teacher Pensions Grant**, and we anticipate that this will happen again in 2024/25. We may expect to get some further details on this during the autumn term (around the Autumn Statement).
7. There are no changes for 2024/25, which appear to affect our **usual consultation and decision-making processes and timescales**. In the last 3 years, due to the timing of announcements, our consultation on our Early Years Block formula funding arrangements has been published towards the end of the autumn term or beginning of the spring term, later than the consultations on Schools Block and High Needs Block arrangements, which have been published mid-October. We anticipate that this will be the case for our consultations this autumn. The expected Dedicated Schools Grant (DSG) allocation and decision-making timetable for 2024/25 is as follows:
 - a. Our consultations on Schools Block and High Needs Block formula funding arrangements will be published mid-October (after the Forum's October meeting). Our Early Years Block consultation will be published in mid to late December or in early January.

- b. The October 2023 Census will be completed as normal. The dataset (and APT) that authorities use to calculate Schools Block formula funding for 2024/25 will be available mid-December.
 - c. The ESFA's high needs places setting exercise, for academies and FE providers for the 2024/25 academic year, will be conducted as usual in October and November.
 - d. The DfE will confirm initial DSG allocations for 2024/25 mid-December.
 - e. The Authority expects the Forum to agree its recommendations on the 2024/25 DSG allocation and formula funding arrangements at its meeting to be held on 10 January 2024.
8. The existing main core technical basis of the Dedicated Schools Grant (DSG) and the National Funding Formula (NFF) within the Schools, High Needs and Central Schools Services Blocks continues in 2024/25.

The **guiding restrictions and flexibilities**, regarding cross-block movements and the proportions of delegated vs. central spending, remain as 2023/24.

The **School Forum's role and statutory powers**, and the guidance on 'who decides what', are unchanged.

The framework for **de-delegation from maintained schools** within the Schools Block is unchanged.

The DfE's **High Needs Block operational guidance** has confirmed that the values of place-element funding (£10,000; £6,000), and the positions of the main 'levers' of the high needs place-plus funding system, remain unchanged in 2024/25. Local authorities continue to hold responsibility for calculating and allocating top-up funding. Any changes in the DSG, or in High Needs Block formula funding, or in the School Forum's role in respect of the High Needs Block, that may come from the national reviews, are now not anticipated to be implemented before April 2025 at the earliest and following consultations to come. The DfE has confirmed that the **Minimum Funding Guarantee (MFG), which must be applied to special schools and to special school academies**, must be set between 0% and 0.5% in 2024/25, with consideration given to providing an MFG that is equivalent to the level of MFG for mainstream primary and secondary schools and academies (which can also be set between 0% and 0.5%).

9. DSG Deficits Statutory Override

Whilst not immediately relevant to us, as we currently hold a surplus DSG account, it is important for the Forum to be aware of the '**statutory override**' within the Regulations, which is in place to the end of the 2025/26 financial year. This override concerns the treatment of deficit balances, that are held within the DSG, and cumulative deficit DSG accounts. Through the statutory override, cumulative deficit DSG accounts are ring-fenced and are 'set aside' from local authority general fund reserves, meaning that deficits are carried forward to be managed only by using DSG funds in future years and that authorities do not need to make provision for these from their general reserves. The impact of this override not being in place would be that DSG deficits would be added to local authority general fund reserve balances, which would have implications for the wider financial positions of local authorities and for how DSG deficits would need to be managed, using authority general fund reserves alongside / in addition to / rather than DSG funding. We must consider the position of the override (and that it is currently set to cease at the end of the 2025/26 financial year) within our medium term DSG financial planning and especially within our High Needs Block deficit mitigation planning.

10. The overall national High Needs Block settlement for 2024/25 provides a 4.3% increase on 2023/24. Authorities will receive minimum growth of 3% per pupil and maximum growth of 5% per pupil. This range is lower than in 2023/24, where the minimum was 5% and the maximum was 7%, prior to the addition of the Autumn Spending Statement funding.

On current estimates, our High Needs Block allocation in 2024/25 is £122.08m, which is £5.20m higher than received in 2023/24. This represents an increase of 4.5% in cash terms and 5.0% in per pupil terms. Our per pupil increase is affected by the 5% per pupil cap; the application of this cap reduces our allocation by £0.63m. This % increase is lower than received in recent years but does align with our previous forecasting (we estimated 4.5% per pupil), which was informed by the DfE's messaging, that the current 3-year national school funding settlement has been heavily weighted towards 2022/23 and 2023/24, with reduced increases to be allocated in 2024/25.

At this point in time, we do not have any information on which to accurately predict the likely increases in High Needs Block funding after 2024/25. We expect that these will be decided within the next national spending settlement round. However, as we have previously discussed with the Schools Forum, assuming that we will continue to receive an uplift in funding around 5% per pupil after 2024/25, we would only see a c. £4m annual cash increase in our High Needs Block funding after accounting for the forecasted reduction in pupil numbers. Growth in High Needs Block funding will continue to be allocated to cover three main pressures a) growth in the cost of provision (from inflation and pay award) funded through the top-up, b) growth in the number of EHCPs and in the needs of pupils with EHCPs and in placement costs reflected by banding (and stacking) and c) continued expansion of high needs places capacity in response to increased demand and placement in independent and non-maintained settings. We currently estimate that the growth in our High Needs Block costs in 2024/25 will substantially exceed the additional £5.20m income that we will receive. We currently estimate that will need to deploy in 2024/25 a substantial proportion of the High Needs Block brought forward balance that we currently hold and take adjusting 'mitigating' steps to control expenditure. We anticipate that, as part of a deficit mitigation plan, we will need to exercise 'restraint' in 2024/25 in how we uplift top up funding rates, needing to prioritise meeting the additional costs that come from the significant growth in the numbers of EHCPs and from the continued expansion of high needs places capacity. We will discuss this financial position in more detail with the Forum across the autumn term, beginning with a separate report to this meeting.

Authorities continue to be permitted to transfer up to 0.5% of the Schools Block to the High Needs Block in 2024/25 with the approval of the Schools Forum. **In the context of our High Needs Block surplus balance however, we do not anticipate proposing a transfer in 2024/25.** However, transfers in future years, subject to the Regulations, are likely to be considered as part of a deficit mitigation plan.

- 11. The Central Schools Services Block (CSSB) continues in 2024/25.** The DfE has indicated, in recent consultations, that changes will be made to this Block (including the possible merger of this Block into the main local government financial settlement), in response to the changing roles of local authorities in the context of the movement to a full academy system. However, there are no technical changes implemented for 2024/25.

Our CSSB funding per pupil has increased by 3.0% in 2024/25. In terms of our overall cash budget however, this per pupil increase is offset by 2 factors. Firstly, our funding for historic commitments has reduced by a further 20%, and so our allocation through this factor has reduced by £0.036m to £0.144m. We expect this funding to continue to reduce in future years until this allocation has ceased. Secondly, our CSSB funding will be affected by the forecasted overall net reduction in the number of pupils to be recorded in mainstream primary and secondary schools and academies in the October 2023 Census. We currently estimate (arithmetically for formula funding modelling purposes) that the overall net reduction at October 2023 will be in the region of 350 pupils (primary phase pupil numbers reducing by 950 and secondary phase numbers increasing by 600). Accounting for these 2 factors, we estimate that our CSSB allocation in total will increase by only 1.4% in cash terms (+ £0.050m, on a budget of £3.6m). This relatively small cash increase should also be viewed in the context of the CSSB having to absorb a 10.6% increase in the cost of the nationally-set copyright licences charge in 2023/24.

As we have previously warned, **demographic reduction is now having an impact on our DSG funding**. Whilst pupil numbers continue to increase in the secondary phase (for a further year and then broadly flatten out), numbers in the primary phase, and in early years provisions, are forecasted to reduce, to the extent that we forecast that we will continue to see over the next few years an overall net reduction in the total number of DSG funded pupils. Reducing numbers, as well as having implications for the funding received by schools, academies, early years and other providers, and their sustainability, will mean that there is less 'headroom' available within our DSG settlements going forward than we have had historically, meaning that less money will be available for meeting emerging spending pressures, or for sustaining current levels of delivery, especially within the Central Schools Service Block and within the High Needs Block, where there are fixed budget contributions to school-support services and to other centrally managed costs. The counter to this trend, in the Early Years Block, is the extension of the entitlements for eligible working parents, beginning April 2024. Extension will mean a larger value of Early Years Block funding, which may create a small amount of headroom, which may be available to support the spending pressures with the Early Years Block that are also expected to increase e.g. Early Years Inclusion Fund spending.

12. **The national Schools Block NFF settlement for 2024/25 provides a 2.7% overall per pupil increase on 2023/24, inclusive of the Mainstream Schools Additional Grant (but excluding the new Teacher Pay Grant, which is not DSG Schools Block funding). On current estimates, Bradford's Schools Block allocation in 2024/25 is £538.479m, excluding Growth and Falling Rolls Fund funding *, which is £30.92m higher than in 2023/24 (an increase of 6.10% in cash terms). £17.0m of this increase relates to the transfer of the Mainstream Schools Additional Grant. Excluding this transfer, we estimate an increase of £13.9m (2.7%) in cash terms. Within this, we estimate that there will be c. 350 fewer pupils recorded in total in primary and secondary mainstream schools and academies in the October 2023 Census than were recorded at October 2022.**

* Growth and Falling Roll Funds are excluded as it is not yet clear how much funding we will receive, especially for the new funding of Falling Rolls. In 2023/24, we received an additional £1.83m for Growth Fund but £0 for Falling Rolls Fund. On current estimates, we anticipate receiving £1.54m Growth Fund in 2024/25. On current estimated modelling, we do not think that we will receive any new Falling Rolls Funding. This is because we do not think that any of our MSOAs will see reductions in pupil numbers of more than 10% between October 2023 and October 2022 (10% is the DfE's threshold for funding).

13. The national Schools Block NFF per pupil increase in 2024/25 of 2.7% is aggregated as follows:
- a. All the core NFF factors, including the deprivation and additional educational needs factors and the lump sum, prior to the addition of the Mainstream Schools Additional Grant and prior to rounding (variable values continue to be rounded to the nearest £5), are increasing by 2.4%. Following rounding, factors are increasing between broadly 1.8% and 3.0%.
 - b. The FSM flat variable is increasing by 1.6% (but with rounding is increasing by 2.0%).
 - c. The mandatory Minimum Levels of Funding Per Pupil (MFLs) are increasing by 2.4%.
 - d. The Minimum Funding Guarantee (MFG) can be set at a maximum 0.5%. The DfE has funded a 0.5% minimum floor increase for all schools and academies.

After applying these basic uplifts, the DfE has further increased the base £app, FSM6 and lump sum factors in order to allocate the Mainstream Schools Additional Grant (MSAG) via the NFF. The MFLs have also been uplifted for this purpose. 2023/24 MSAG allocations have been added into school and academy funding baselines, so that the Minimum Funding Guarantee in 2024/25 will provide budget protection, which is inclusive of the MSAG allocations that were allocated separately in 2023/24.

With the uplift for the MSAG, the MFLs for 2024/25 are £4,655 (primary – increased from £4,405) and £6,050 (secondary – increased from £5,715). These are the minimum values of per pupil funding that schools and academies must receive in 2024/25. These minimums continue to be mandatory and are therefore, not subject to local consultation.

To highlight the following aspects of this 2024/25 NFF settlement:

- a. An increase in 2024/25 of 2.4% (prior to the addition of MSAG) in the base £app and lump sum factors is the same as the level of increase that was applied to these factors in 2023/24. We advised our maintained schools to assume 1.5% increases in 2024/25 on all NFF factors.
- b. In the current 2023/24 financial year settlement however, rather than a single % increase being applied to all NFF factors, the deprivation / additional education needs factors - FSM6 and IDACI - were additionally uplifted, which weighted the settlement towards schools and academies with higher levels of deprivation. The 2024/25 settlement does not do this; all core factors are increasing by the same 2.4% (prior to rounding). As a specific reference point, the IDACI factor continues to use IDACI 2019 (IDACI is updated every 5 years).
- c. In the current 2023/24 financial year settlement, the uplift of the mandatory Minimum Levels of Funding per pupil (MFLs) was significantly lower than the uplift of the core NFF factors – the core NFF factors increased by 2.4% but the MFLs increased by only 0.5%. As a result, schools and academies that were funded on the MFLs only received a 0.5% increase in their funding per pupil in 2023/24. However, in 2024/25 the MFLs are increasing by 2.4%, which is at the level of core formula funding. We advised our maintained schools to assume 0.5% increases in 2024/25. It is likely that this higher level of increase has been afforded by not weighting additional funding to the NFF deprivation factors (that an assessment has been made by the DfE that a priority for the 2024/25 settlement, in response to overall spending pressures, is to increase the base funding of schools and academies that are funded on the MFLs). *
- d. **The Minimum Funding Guarantee in 2024/25 can be set between 0% and positive 0.5%. This is the same range as permitted in 2023/24. On current indicative modelling, we anticipate being able to propose a 0.5% MFG.** We advised our maintained schools to assume a 0.5% MFG in 2024/25. It must be emphasised that, in respect of the value of MFG that we can afford, the DfE has only funded a minimum 0.5% increase in respect of all schools and academies, meaning that we do not have the on-going funding within the 2024/25 Schools Block settlement to set a higher MFG (and we would need to apply to the Secretary of State in any case). *
- e. We estimate that we will receive in 2024/25 £0.411m of funding via the DfE's new split sites factor and we expect to fully spend this on our split site schools and academies.
- f. The Schools Forum will wish to begin to consider the implications of this funding settlement, especially in relation to the recent announcements on pay awards, which are summarised in the 'matters arising' document that is published for this meeting, and in relation to current inflationary pressures.
- g. Within the 2022/23 and 2023/24 DSG budget cycles, we considered quite carefully the potential financial impact of the lag in data, between the October 2020 / 2021 Census (on which the DSG is funded) and the October 2021 / 2022 Census (on which schools and academies were funded).

Ultimately, this data lag increased the cost of our 2022/23 formula funding by £0.95m (please see January 2022 Document OB Appendix 1d) and by £1.07m in 2023/24 (please see January 2023 Document PO Appendix 1d). In both years, we absorbed the cost by using Schools Block headroom alongside Schools Block reserves. Data lag is again expected to be a feature of our 2024/25 Schools Block spending, and we must set out our formula funding proposals with caution, whilst considering how we will ensure that our Schools Block arrangements are affordable. This does continue to include the allocation of DSG reserves, where appropriate and sustainable. However, we used £1.7m of reserve in 2023/24 and we warned that, depending on the size of the data lag in 2024/25, we may not have the reserves in place to fully cover the cost, meaning that we may need to employ options for reducing cost by adjusting our funding formula (keeping within the 2.5% NFF restriction that is now in place). We will continue to discuss this with the Schools Forum over the autumn and early spring.

* In summary, in 2023/24:

- Primary phase: 44 out of 156 schools (28%), including academies, are funded on the Minimum Funding Guarantee. 27 schools (17%), including academies, are funded at the £4,405 minimum per pupil level. All other schools and academies are funded above £4,405 per pupil.
- Secondary phase: 4 out of 31 schools (13%), including academies, are funded on the Minimum Funding Guarantee. 1 academy (3%) is funded at the £5,715 minimum per pupil level. All other schools and academies are funded above £5,715 per pupil.
- All through academies: None of the 4 academies are funded on the Minimum Funding Guarantee. All of these academies are also funded above their composite minimum per pupil funding levels.
- In total, 48 out of 191 schools and academies (25%) are funded on the Minimum Funding Guarantee. This is reduced from 73 (38%) in 2022/23. In total, 31 out of 191 schools and academies (16%) are funded on the minimum per pupil funding levels. This is reduced from 36 (19%) in 2022/23.