

SCHOOLS FORUM AGENDA ITEM

For Action



For Information



Brief Description of Item (including the purpose / reason for presenting this for consideration by the Forum)

To provide a summary-level forecast of the DSG income / expenditure position that is currently estimated for the 2024/25 financial year.

Date (s) of any Previous Discussion at the Forum

The DSG's position for 2024/25 has begun to be considered within the consultation items presented in the autumn term. However, this is the first indicative DSG summary to be presented.

Background / Context

Our DSG allocation for 2024/25 will continue to be split into four blocks (in size order):

- Schools Block – funding mainstream Primary & Secondary school and academy core formula allocations, School Block de-delegated items (maintained schools) and Growth & Falling Rolls Funds. c. £539m
- High Needs Block – funding provision for high needs children with additional needs valued at greater than £6,000 per annum, including Special schools, PRUs / AP and Post 16 students in Further Education Colleges, as well as SEND support services and other alternative provision and placements. c. £122m
- Early Years Block – funding the Early Years Single Funding Formula and centrally managed items relating to early years entitlement provision (the under 2s, 2, 3 and 4 year old entitlements). c. £66m
- Central Schools Services Block – established at April 2018 to fund items previously 'collected' via 'top-slice' within the Schools Block, including pupil admissions, copyright licensing and other local authority statutory duties held in respect of state funded schools and academies. c. £3.6m

Each of the four blocks is calculated on a National Funding Formula (NFF) basis, which includes protection (for losers) and damping (for winners) as the DSG system moves towards the fuller implementation of NFF over time. 2024/25 is the seventh year of implementation of the NFF distribution.

Many aspects of the DSG for 2024/25 have now been confirmed and will not change. However, there are still some significant elements that will be confirmed by Government later in December and some that will only be confirmed during and after 2024/25, including Early Years Block funding and adjustments to the High Needs Block for imports and exports between authorities and for academy conversions.

With the Schools Forum, the Authority has previously established the principle of the 'ring-fencing' of all the four blocks, meaning that spending pressures and NFF-led funding level changes relating to each block are managed within that block. As set out in Document QS, the Authority has previously applied the principle of block ring-fencing, informally, to the management of brought forward balances. However, although the DSG is split into separate blocks, Forum members should continue to recognise the inter-connectivity that exists, especially between the High Needs Block and the Schools and Early Years Blocks.

The Schools Block is formally ring-fenced in Regulations. Authorities continue to be permitted to transfer a maximum of 0.5% of the Schools Block budget to other blocks, including to the High Needs Block, with the approval of the Schools Forum. Larger transfers must be approved by the Secretary of State.

The Regulations (subject to confirmation for 2024/25) require a pass through to providers of 95% of each of the funds for the 3 groups of entitlements within the Early Years Block (EYB). This has the effect of limiting the size of centrally managed funds that can be held within the EYB, as well as restricting the value of the EYB that can be transferred to other blocks or that can be used to cross-subsidise the entitlements.

There are no formal 'ring-fencing' restrictions set in the Regulations for the Central Schools Services Block or for the High Needs Block.

A more detailed and more confirmed analysis of the 2024/25 DSG income position, and planned expenditure, will be provided for the Schools Forum on 10 January.

Details of the Item for Consideration

Appendix 1 provides a high-level position statement for the 2024/25 DSG, based on current estimates and assuming that the proposals that have been put forward for formula funding arrangements and for centrally managed funds are fully implemented. This statement also makes assumptions about anticipated Early Years Block arrangements, which are discussed further in Document QN.

There are a number of aspects of DSG income and expenditure that are still to be confirmed and the Schools Forum still has to make its final recommendations on formula funding arrangements, in the light of feedback from the consultations. As such, Forum members are asked to view this summary only as an estimate intended to help plan for decisions. The following aspects of the estimated position, shown in Appendix 1, are highlighted:

- **We estimate we will receive £56.59m (+8.4%) more income than we received in 2023/24 (ROW C)**
 - £29.44m (5.9%) within the Schools Block. Of this increase, £17.07m relates to the transfer of the Mainstream Schools Additional Grant (MSAG) into the Schools Block, leaving £12.37m, which is actually new funding. The majority of this growth comes from the increase provided by the NFF-led settlement, rather than by net growth in our number of pupils. Our Schools Block income forecast is based on estimated total October 2023 Census pupil numbers recorded at 89,027, compared against a total of 88,838 recorded at October 2022; a net change of +189. Within this estimated total, primary-phase numbers are estimated to have reduced by 343 and secondary-phase numbers are estimated to have increased by 532 between October 2023 and October 2022. £0.40m of the £12.37m new funding is specifically retrospectively reimbursing the Schools Block for the increase in NNDR cost in 2023/24, which was initially covered by our Schools Block reserves. This sum is expected to be returned to Schools Block reserves. We are also in receipt of c. £0.80m of implicit growth funding, relating to two new academies that are now fully established. This £0.80m reimburses us for our initial year one unfunded cost of growth and is expected to be returned to Schools Block reserves. We do not anticipate receiving any new funding as a result of the DfE's Falling Rolls Fund changes.
 - £5.34m (4.5%) within the High Needs Block. This is new funding (rather than the impact of any transfers). The majority of this growth comes from the increase provided by the NFF-led settlement, through which Bradford is receiving a capped +5.0% per pupil.
 - £21.73m (49.4%) estimated within the Early Years Block. Our Early Years Block income in 2024/25 will substantially increase as a result of the introduction of the new early years entitlements. Funding will also increase following the consolidation of the Early Years Supplementary Grant and Teacher Pay Grant into the Early Years Block from April 2024. The Early Years Block is discussed further in Document QN and a fuller breakdown of Early Years Block income will be presented at the next meeting. This growth in funding, as a cash value, is significantly estimated, including being based on extended entitlement numbers that are used by the DE. Actual cash growth will be affected by the confirmations of our actual entitlement delivery that will be recorded during 2024/25. Our estimate of the Early Years Block includes the full year continuation of the Maintained Nursery School Supplement. The DfE still has to confirm (at the time of writing this report) how the new extended entitlements will be funded at Early Years Block level and whether we will receive 26 weeks or 22 weeks of funding for the new 9-month-old entitlement. Appendix 1 currently assumes that we will only receive funding for 22 weeks.
 - We estimate that there won't be a significant change in the cash value of our Central Schools Services Block (CSSB) allocation in 2024/25. Whilst we will receive from the DfE growth in funding per pupil of 3.0% through the NFF-led settlement, which is new funding (rather than the impact of transfers), this growth will be offset by the DfE's continued reduction in funding relating to historic commitments, with our allocation being further reduced by £0.04m to £0.14m.
- **We anticipate presenting on 10 January proposed planned DSG budgets for the Schools, Central Schools Services and Early Years Blocks, that do broadly balance 'in year' but which then are likely to use a proportion of surplus balances that are forecasted to be carried forward to specific activities. On current estimates however, we anticipate presenting a High Needs Block planned budget for 2024/25, which substantially exceeds the High Needs Block funding allocation, and which will require a significant proportion of surplus balance to absorb and further discussion regarding mitigating action, including action that can be taken during the year. (ROWS I and J).**
- The most substantial uses of carry forward surplus balances that are currently anticipated, are:
 - Supporting the financial position of the High Needs Block in 2024/25, where we currently estimate an overspend of £17.59m. Of the £17.59m, £3.87m relates to new revenue budget for additional locally developed specialist places and £0.98m continues the Authority's inclusion investment plan spending. The DSG Management Plan, which will be presented to the Forum on 10 January, will discuss in more detail the on-going position of the High Needs Block.

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- Continuing to support the costs of the Early Years Single Funding Formula within the Early Years Block. The DfE still has to confirm (at the time of writing this report) how the new extended entitlements will be funded at Early Years Block level and whether we will receive 26 weeks or 22 weeks of funding for the new 9-month-old entitlement. Appendix 1 currently assumes that we will only receive funding for 22 weeks, meaning that we may need to use c. £1.1m of surplus balance in 2024/25 to meet the cost of the additional 4 weeks without reducing rates of funding for providers to offset this. However, this is a matter that we will need to consider more closely and present proposals to the Forum on 10 January. We are concerned that this issue will completely drain all Early Years Block reserves and therefore, we may look to find additional ways to manage this problem. Alongside this issue, given that two new entitlements are being established during 2024/25, there is significant opportunity for movement and difference from forecasts, which the Early Years Block reserve will be expected to support.
 - Supporting achieving a balanced Schools Block planned budget, where the funding formulae we have proposed may not be affordable when the October 2023 dataset is used. Appendix 1 does not yet show this. The allocation of surplus balances may take place in combination with formulae adjustment. This will be further discussed with the Schools Forum on 10 January, once the impact of the October 2023 dataset is known and has been modelled.
 - The retention of the ring-fenced Growth Fund balance held within the Schools Block to help meet the cost of Growth Fund allocations in 2024/25, rather than taking a higher value of new budget from the 2024/25 Schools Block allocation.
 - The retention of the ring-fenced Falling Rolls Fund balance held within the Schools Block to meet the cost of Falling Rolls Fund allocations, rather than taking new budget from the 2024/25 Schools Block allocation.
 - Continuing to use a proportion of the ring-fenced De-Delegated Funds balance held within the Schools Block to help reduce the values of contributions that would otherwise be taken from maintained school budgets in 2024/25.
 - Continuing to use the ring-fenced Disability Access Funds (DAF) balance held within the Early Years Block to support the value of DAF funding per child that is allocated to providers.
 - Continuing to use the balance held within the Central Schools Services Block to appropriately uplift centrally managed budgets and contributions to Council-managed statutory functions that are funded from this Block.
- **We anticipate that there won't be any transfers of DSG income between blocks in 2024/25 (ROW H).**
 - **We forecast that our DSG account will not be in deficit, either at 31 March 2023 or 31 March 2024 (ROWS M AND N). However, our forecast indicates deficit at the close of the 2025/26 financial year.**
 - **We forecast that there will be a net surplus of balances held at 31 March 2024 in centrally managed funds within the Central Schools Services Block, as well as in De-Delegated Funds within the Schools Block, meaning that we do not anticipate that the 2024/25 Schools Budget will be needed to write off any net deficit balances in funds that are carried forward from 2023/24 (ROW F).**
 - **We do not plan to hold 'safety net' provision (completely unallocated contingency) within the 2024/25 planned budget (ROW E).** The absence of safety net provision means that, in 2024/25, any unexpected or higher than expected costs, where these cannot be met by savings elsewhere within that block, will need to be covered by brought forward balances or be carried forward to be dealt with in 2025/26. Our High Needs Block and Early Years Block require close monitoring in this regard. Although our 2025/26 forecast shows an increasingly challenging picture, the total value of balances that are estimated to be carried forward at both March 2024 and March 2025 should ensure that our DSG account remains in surplus at least to the end of the 2024/25 financial year.
 - **We do not plan any addition to the 2024/25 Schools Budget from non-DSG funds (ROW K).**

Implications for the Dedicated Schools Grant (DSG) (if any)

As outlined in this paper.

Recommendations

Forum members are asked to consider the information presented in the report, for reference, in advance of making final recommendations on 10 January 2024.

List of Supporting Appendices / Papers (where applicable)

Appendix 1 – 2023/24 Indicative DSG Summary.

Contact Officer (name, telephone number and email address)

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