

SCHOOLS FORUM AGENDA ITEM

For Action

For Information



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

This report provides an update on a number of matters relating to the Dedicated Schools Grant.

Date (s) of any Previous Discussion at the Forum

The Schools Forum made its recommendations on the 2024/25 DSG on 10 January 2024.

Background / Context

See the details for consideration below.

Details of the Item for Consideration

Shorter updates on a number of DSG matters

Due to the change in the date of the Council's annual budget setting meeting, the Schools Forum's recommendations on the allocation of the 2024/25 Schools Budget are now being presented to the Executive on 5 March and are then to be presented to full Council on 7 March. We expect the detailed funding allocation and budget information for 2024/25 to be published for schools, academies and for early years providers, on 8 March. Initial place-element funding for high needs providers is also expected to be published on this day. We gave notification of the change in timetable for the publication of funding and budget information on 6 February through Bradford Schools Online. To support mainstream schools and academies in their budget planning, we published on 6 February a summary spreadsheet, which shows the 2024/25 National Funding Formula Schools Block allocations that have been submitted to the ESFA through our Pro-forma return. To support early years providers, we had already published on 10 January a ready reckoner, which gave sight of 2024/25 early years entitlement funding rates.

At the time of writing this report, the Education and Skills Funding Agency (ESFA) has still to formally confirm its approval of our Schools Block Pro-forma for 2024/25 (our primary and secondary mainstream funding formula and Growth Fund / Falling Rolls Fund criteria). Approval is not normally expected to be given until our political ratification has been achieved.

We currently await final confirmation of our 2024/25 High Needs Block allocation, taking account of changes in deductions for academy places and the confirmed value of the import / export adjustment. A detailed forecast of the spending position of the High Needs Block, as part of our DSG Management Plan (which was re-presented on 10 January), will be provided for the Schools Forum during the year in support of the critical discussions to take place about DSG deficit management and resolution. As usual, the initial reconciliation of DSG balances held at 31 March 2024 will be presented to the Forum in July, following the 2023/24 year-end closedown, and then confirmed in September, following the DfE's final determination of Early Years Block funding for 2023/24, including the Early Years Supplementary Grant.

Within the recommendations the Forum made for the 2024/25 financial year, the Falling Rolls Fund within the Schools Block is continued for the primary phase. A report on the application of this Fund for 2023/24 is presented to this meeting, under agenda item 6. Recognising the information that is required in order to finalise allocations, it is anticipated that any proposals for Falling Rolls funding for 2024/25 will be presented to the Forum in March 2025. As usual, it is expected that new allocations from the established Schools Block Growth Fund will be presented to the Schools Forum in October (primary-phase) and in December (secondary-phase), subject to the timing of the release of the October 2024 census data.

As we reported to the Forum on 6 December, the Authority has been allocated in 2023/24 an additional £0.934m 'Schools in Financial Difficulty' funding in respect of maintained schools. This sum will be fully carried over into 2024/25 within the balance of de-delegated funds. The £0.934m will be classed as DSG income and we have clarified with the ESFA directly that we are permitted to carry over any unspent funds into 2024/25 in order to continue to support maintained schools in financial difficulty next year. We indicated in December that we would wish to carry this over. We also stated that Members will identify and understand that there are pros and cons related to the allocation of such additional funding to a small number of maintained schools and that the Authority will wish to tread carefully. To inform the use of this funding, the Authority will collect 2024/25 and 3-year budget forecast information from maintained schools, which will be available in May / June. We then expect to report to the Forum on the use of this funding, in July or in early autumn 2024.

Details of the Item for Consideration

DSG 2024-25 Summary

The table below is included in the report, which presents the DSG recommendations to Council. It is a useful simpler summary of the 2024/25 Schools Budget as agreed with the Schools Forum on 10 January.

Description	Early Years Block £m	Schools Block £m	High Needs Block £m	Central Schools Services Block £m	Total DSG £m
Estimated DSG available 2024/25	£66.014	£537.891	£122.343	£3.628	£729.877
Estimated DSG B'fwd from 2023/24	£3.855	£3.295	£22.646	£0.179	£29.975
Total Estimated DSG (Schools Budget) 2024/25	£69.869	£541.186	£144.990	£3.807	£759.852
Delegated to Schools / Providers	£64.341	£536.150	£112.536	£0.000	£713.027
Non-Delegated Items	£1.673	£1.740	£9.808	£3.628	£16.849
Allocation of One Off	£1.262	- £0.008	£21.620	£0.059	£22.933
Total Funding Allocated	£67.276	£537.883	£143.964	£3.687	£752.810
Difference (C'Fwd)	£2.593	£3.303	£1.026	£0.120	£7.042

Outcomes of the Early Years Block Consultation 2024/25

On 10 January 2024, the Schools Forum gave its support to the Authority's proposals for the approach to the funding of the early years entitlements (the Early Years Single Funding Formula) for the 2024/25 financial year. The Authority completed, on 5 February, a wider consultation. 15 responses to this consultation were received. Some responses made comments about the proposals, or other aspects, that it would not be possible for the Authority to respond to, due to the constraints / requirements of the Regulations. This included having a single hour rate of funding for childminders for all the entitlements (where the Regulations require the entitlements to be funded separately). Some responses highlighted that the funding rate for the 3&4-year-old entitlements continues to be low and that funding for Early Years Inclusion (EYIF) is also low. In this, the Schools Forum will already understand that the Authority is constrained by the value of our Early Years Block settlement from the DfE. The 15 responses received, however, collectively supported the Authority's proposals, with the majority responses to all the consultation questions being 'strongly agree' or 'agree on balance'. Following the completion of the consultation, the Authority has recommended to Council that the Early Years Single Funding Formula (EYSFF) that was set out in the Authority's consultation be used to calculate budget shares for all providers delivering entitlement provision in 2024/25. This is to be decided by Council on 7 March. The Authority expects to reconvene the EYWG soon to begin to discuss wider early years entitlement funding matters, leading into 2025/26 arrangements.

The Schools Forum has previously asked why our rates of funding for early years entitlement provision from Government are lower than national medians, when, given our deprivation measures, we would expect to be funded on higher than median rates. We presented a holding response on this question to the School Forum in December, having identified that the impact of the Area Cost Adjustment (ACA) factor was important to this comparison, and stated that we would carry out further investigation when we had sight of the full 2024/25 Early Years Block settlement and breakdown of funding rates. We are now looking at this and expect to present some analysis and conclusions to the Forum at the next meeting in May.

Early Years Block – Additional / Changed Counting Arrangements for the New Entitlements in the PVI Sector

We are aware, having had sight of draft guidance, that the DfE intends to require local authorities to collect and submit additional information regarding the delivery of the new 2-year-olds and under 2s working parents entitlements in the summer and autumn terms in the PVI sector. This will be necessary for the accurate calculation of DSG funding to local authorities in 2024/25. What exactly this means for our counting arrangements we will need to fully consider once the final version of the DfE's guidance is published. However, the DfE indicates that delivery information will be based on a count taken about a month after our normal termly censuses are collected in summer and autumn, meaning that we would either need to move our count dates or take steps to collect an additional count in some form. We are currently discussing the options for this and will review and decide the best approach having had sight of the DfE's guidance when this is published. We are conscious of a number of aspects here, ensuring that providers are accurately funded for the delivery of the new entitlements in their initial terms, but also complication, workload and capacity for the Authority as well as for providers in possibly having to manage an additional data collection. We are also conscious of ensuring that there is consistency of approach between the PVI and the schools sector, notwithstanding that it is expected that the new entitlements will primarily be delivered by the PVI sector.

Details of the Item for Consideration

Early Years Block – Resolution of the Under 2s Entitlement Unfunded 4 Weeks Issue

We have previously highlighted to the Forum the very significant concern that we had regarding the funding of the Under 2s Working Parents entitlement from September 2024 i.e. that we will fund providers for 26 weeks of delivery but that the DfE appears to be planning to only fund us for 22 weeks, leaving £1.2m of unfunded cost within our Early Years Block in 2024/25. We advised that we had met with the DfE to discuss this issue. However, at the time we presented the recommendations for 2024/25 to the Schools Forum on 10 January, we still awaited response from the DfE. We explained on 10 January that the 2024/25 planned budget for the Early Years Block (summarised in the table on the previous page of this report) was put forward on the assumption that this issue would not be resolved and that our Early Years Block would overspend by £1.2m, with this overspend being met from DSG reserves. We explained that, was the DfE to fully resolve this issue, this £1.2m overspend would be removed.

The DfE has now confirmed that local authorities will be funded for 26 weeks of delivery for the Under 2s entitlement for the period September 2024 to March 2025. This means that, everything else being the same, our Early Years Block in 2024/25 will not overspend and there will not be the £1.2m call on DSG reserves.

We also now assume, for our 2025/26 financial planning, that there will not be the same underfunding issue for the period September 2025 to March 2026, when the Under 2s and 2-year-olds Working Parents, entitlements increase from 15 to 30 hours.

Uncertainty, Review and Response to Future System Change and Tighter Financial Settlements

We continue to need to plan and to review our DSG allocation and formula funding arrangements, understanding that there is uncertainty for the future. Document RF discusses some of the main uncertainties, changes and challenges that may affect school and academy budget planning across 2024-2027.

Most immediately for the Schools Forum and for the Authority, in our DSG management, is the lack insight we currently have into the shape and value of our DSG and of the National Funding Formula at April 2025. The Government's current spending review period only takes us up to 2024/25. We normally begin to receive detailed information from Government on the following's years DSG arrangements in June / July, which enables us to formulate plans for consultation, which we can then discuss with schools, academies and providers early in the autumn term. We currently are not clear about the Government's timetable for announcements associated with the 2025/26 DSG, including any announcements relating to the development of the Schools Block National Funding Formula, development of early years funding, or formula funding or other financial changes that may come from the national SEND and Alternative Provision reviews.

For 2025/26, so far:

- We anticipate that the SEND and Alternative Provision reviews ultimately will bring far-reaching changes to SEND / EHCP / Alternative Provision funding systems, which we may need to begin to respond to within our 2025/26 DSG and formula funding decision making cycle, especially as we are a pilot authority for reforms. We have already identified that, at the very least, in the absence of nationally directed changes, we will need to continue to incrementally assess our definition of 'notional SEND budgets', as well as our SEND Funding Floor. This assessment is also important for the deficit DSG position that we now forecast.
- Our DSG Management Plan, which we last presented to the Schools Forum on 10 January 2024, explains how our High Needs Block is forecasted to fall into cumulative deficit in the 2025/26 financial year, requiring a management and mitigation plan, which must include discussing a Schools Block to High Needs Block contribution and our high needs formula funding arrangements. This plan is very likely to have impact on our 2025/26 formula funding arrangements, within both the Schools and the High Needs Blocks.
- The DfE has stated that it will conduct a national review of SEND Early Years Inclusion (EYIF) approaches, with a view potentially to providing new guidance and / or prescription to local authorities in the future. This may influence 2025/26 arrangements. We have stated that, locally, in 2024/25 we will pilot ourselves a different way of allocating EYIF funding. The outcomes of this pilot will also influence our EYIF arrangements for 2025/26.
- The DfE has stated its aim of fully introducing the hard National Funding Formula in the Schools Block by 2027/28 at the latest. We expect further direction and restriction to affect 2025/26 mainstream formula funding arrangements. As the DfE has stated that 2027/28 is 'at the latest', it is possible that 2025/26 could be the final year of local arrangements. Changes, in the allocation of funds for centrally managed services, and in the role of the Schools Forum, are also expected, though these are likely to be more for the longer-term. The timescale for bringing PFI funding into the National Funding Formula is uncertain, but developments on this may take place for 2025/26. This is an important matter to monitor.

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- We know that the DfE continues to incrementally review and adjust the Schools Block National Funding Formula. Changes in formula factors may be adopted in 2025/26. The DfE has previously consulted on incrementally amending Growth Fund and Falling Rolls Fund funding arrangements and we still do expect additional flexibilities for the management of growth, falling rolls and 'surplus places' to be introduced, possibly for 2025/26. Highlighting a specific point of potential change in 2025/26, the Government's IDACI data is due to be updated in 2024. This IDACI data is currently used in the National Funding Formula as a deprivation measure alongside Free School Meals eligibility. IDACI is updated only every 5 years, and updating this does tend to produce some turbulence in the deprivation levels that are measured at individual schools and academies, which the ESFA seeks to smooth using the weightings of the National Funding Formula. It is not certain at this time whether IDACI 2024 will be used for 2025/26, as timescales may not permit this. However, this is specific point of change to monitor.
- We have already signalled that we must check and review our Early Years Single Funding Formula, with this review being focused especially on benchmarking ourselves against what other local authorities have done in 2024/25 especially around the funding of the new entitlements, where the Regulations have provided a significant amount of local flexibility.
- The 2024/25 national financial settlement is much more modest that has been seen in recent previous years. Whilst this is still to be announced, also linking into the next report (Document RG) about school and academy budgets, we do anticipate the continuation of 'modest' percentage increases in DSG and formula funding in 2025/26. This is potentially across the board – mainstream primary and secondary formula funding, early years entitlement funding, high needs funding and post-16 funding. For the DSG's overall financial position, and the resolution of a forecasted deficit position, the High Needs Block settlements from April 2025 onwards will be very significant.

High Needs Block

The downturn that is forecasted in the position of our High Needs Block is the dominant feature of the 2024/25 planned budget and will be the dominant feature of our DSG management going forward.

As the Forum is aware, Council on 7 March will be asked to approve a planned budget for 2024/25, which projects that a surplus DSG account balance will still be retained at the end of the 2024/25 financial year. However, due to the anticipated continued growth in the number of Education, Health and Care Plans (EHCPs), and other pressures, combined with a reduction in the annual increase in High Needs Block income that we have received from Government, we forecast that the £22.646m High Needs Block surplus that is projected to be held at the end of 2023/24 may largely be spent by the end of the 2024/25 financial year and that our High Needs Block and then DSG account may post a deficit at the close of the 2025/26 financial year, with the size of this deficit continuing to grow from this point, in the absence of: new significant mitigating response; significant additional income from the DfE through the High Needs Block settlements; a significant slowing of EHCP and other spending growth rates. Although our forecast is currently based on a series of estimates, which may change, the scale of overspend that is currently forecasted clearly indicates that we have a structural High Needs Block budget issue going forward.

As has been explained, this is a national problem. Overspends in the High Needs Block are a common reason why authorities currently are recording cumulative and increasing deficits in their DSG accounts. The DfE has in place two types of intervention and support strategies for local authorities – the Safety Valve Programme and the Delivering Better Value (DBV) Programme. Because we have up to now balanced our DSG account, and have continued to retain surplus balances, Bradford has not yet come into these programmes. However, one of the mitigating actions that we must now take is to request advice and support from the DfE in the management of our position. The ESFA will be contacted following the Council's budget setting meeting. We expect then that ESFA will quickly respond and that a number of assessments and workstreams will follow this. The School Forum's sub-group will shortly be convened again as part of this work.

We have in recent years delivered structural changes and we have already applied a number of mitigations, which roll forward within our 2024/25 planned budget and which have contributed so far to our success in delivering a balanced High Needs Block budget and in securing carry forward DSG surplus resilience reserves. We identify that a number of the actions that we have already taken feature in the DfE's recommendations to local authorities that are within the Safety Valve and Delivering Better Value intervention and support programmes. Our strategic work now needs to continue to put forward options for new actions that may contribute to the resolution of the forecasted High Needs Block deficit. We are seeking to develop actions that will help to reduce the size of the overspend in 2024/25 and then to reduce the on-going overspend from April 2025. Actions from April 2025 include consideration of amendments to our formula funding models, as well as a Schools Block to High Needs Block funding transfer.

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

As set out in the report.

Recommendations

The Schools Forum is asked to consider and to note the information provided in the report.

List of Supporting Appendices / Papers (where applicable)

none

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