

SCHOOLS FORUM
30th January 2024



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ITEM
01/24

Dedicated Schools Grant 2024-2025

SUMMARY

- 1.1 **Dedicated Schools Grant** - On 19th December 2023 the Department for Education (DfE) announced the Dedicated Schools Grant (DSG) for Derby City.

The DSG allocations reflect the change in the process for national non-domestic rates from the 2024-25 financial year when ESFA will pay billing authorities directly for both academy and maintained schools.

- 1.2 The Dedicated Schools Grant (DSG) for Derby is split into four blocks: Schools Block, Early Years Block, High Needs Block, and a Central School Services Block.

The 2024-25 allocation for the DSG is £338.291m and is made up of four blocks of funding:

- Schools Block £245.966m (included the Mainstream Schools Additional Grant and £1.5m NNDR)
 - Central School Services Block £2.556m
 - High Needs Block £58.596m
 - Early Years Block £31.173m (includes adjustment for amended week as per the 11th January 24 announcement)
- 1.3 To note that for the financial year 2024-25, the mainstream schools grant is now part of the base budget for those impacted. In addition to the DSG funding above, mainstream schools will receive two additional grants in 2024-25 one for teacher pay grant and a further grant for teachers' pension.
- 1.4 October 2023 saw the Government announce a national increase of circa 1.9% per pupil for mainstream schools in 2024-25. Derby continues to apply the NFF rates to all factors, as set out by the DfE, guidance states that LAs must increase rates where they can mirror such factors, Derby has paid at NFF rates for a number of years now.
- 1.5 For Derby the increase in school block funding from 2023-24 to 2024-25 is 4.2% increase, however due to the mainstreaming of previous year's grants an overall 7.8% is recorded.
- 1.6 Pupil premium funding rates for the financial year 2024 to 2025 have also increased by 1.7% to the following:
- primary FSM6 pupils: £1,480
 - secondary FSM6 pupils: £1,050

- looked-after children: £2,570.
 - children who have ceased to be looked-after £2,570.
 - service children £340
- 1.7 The Early Year's Block is reporting a significant increase due to the extended age ranges and increased hourly rates for children from 9 months, these changes are detailed in section 3.6.
- 1.8 The Central School Services Block continues to be reduced. For 2024- 2025 the reduction is circa £0.1m.
- 1.9 The High Needs Block has been increased in 2024-25 by 3.36% - circa £1.97m to £59m. There continues to be significant challenges for the High Needs Block in Derby, section 3.10 shows the ongoing impact of the deficit position faced by the authority. The budgeted deficit of £8.682m on the High Needs Budget will take the cumulative DSG deficit to circa £22m.

The government's extension of the DSG statutory override for a core of period of 3 years (up to March 2026) remains, affording the short-term financial flexibility needed for authorities as they implement sustainable change, underpinned, and reinforced by the government's longer-term reforms. Derby's deficit position requires the authority to apply the statutory override.

RECOMMENDATIONS

- 2.1 To note the allocations of the Dedicated Schools Grant as detailed in this report.
- 2.2 To top slice £1.299m from the school's block, as per the approved school's forum report.
- 2.3 To support the recommendations to Council Cabinet for the following changes to the funding formula for schools: -
- To increase the Minimum Funding Level per pupil - primary £4,610 per pupil and secondary £5,995 per pupil.
 - To implement a cap on growth above 1.4% per pupil with 50% being scaled back.
 - To set a Minimum Funding Guarantee of 0.5%.
- 2.4 To support the recommendation to Council Cabinet of a base rate element of the Early Years Funding for: -
- 3/4-year-olds base rate of £5.25 an increase of 11.7% per hour.
 - Disadvantage 2-year-olds of £7.71 per hour this is an increase of £2.03 per hour.
 - The Stand-Alone Maintained Nursery Supplementary rate of £3.27 has increased to reflect the mainstreaming of the Teachers pay and pension into the EYFF (Universal Hours).
 - Working parent 2-year-olds of £7.71 per hour
 - Working parents 9 months to 2-year-olds of £10.80 per hour
- 2.5 To approve the value of Growth Fund of £0.041m to be retained centrally.

- 2.6 To note the distribution model for the targeted grant for Special schools and AP £0.792m as required by the DFE.

SUPPORTING INFORMATION

Dedicated Schools Grant 2024-25

3.1 Schools Block (£245.966m)

Funding to Local Authorities is distributed using the National Funding Formula (NFF), a local formula is adopted to distribute funding (soft National Funding Formula) although the Department for Education (DfE) has indicated that the move to a full National Funding Formula for individual school allocations is still very much the desired ambition and local authorities should be adopting this approach in the design of its local funding formula.

The School's Block is the only ring-fenced block of the DSG and for 2024-25 has increased by £17.739m from the 2023-24 allocation.

A consultation with all Derby School's for the top slice of 0.5% from the school's block, was launched 14th December 2023 and finished on the 10th January 2024. Out of all the Derby schools only one response was not in favour of the top slice.

3.2 National Changes to the Funding Formula

The Government remains committed to a 'hard' national formula, the changes to the Schools Block for 2024-2025 are as follows.

- An average increase of 3% has been applied to the core factors in the National Funding Formula multiplier, it is not mandatory to replicate these values at a local level, however School Forum principal is to mirror the NFF as near as Derby can.
- A National average increase of 4.77% has been applied to the Minimum funding levels per pupil, set as part of the NFF. For 2024-25 primary schools are at least £4,610 per pupil and secondary school at least £5,995 per pupil. These values are mandatory and must feature at a local level. To note that Derby's average MFL is much higher. **Derby reports an average of £5,368 for primary pupil (16% above MFL) and £6,948 for secondary pupil (16% above MFL)**
- Pupil mobility factor, the proportion of mobile pupils in a school remains above the threshold of 6%, this results in the trigger of funding.

- The Minimum Funding Guarantee (MFG) can be set at between +0 % And +0.5% per pupil.
- There are no gains cap in the allocations applied to local authorities however local formulae can feature one, this is usually used to address affordability issues and has been the agreed method by Derby in past years.
- From 2024-25 Derby Non-domestic rates of £1.5m will be paid by the ESFA directly on behalf of all Derby City Schools, note that budget allocations will show the NNDR value for information only.

3.3 The following set of principles will be applied to Derby's Schools Block Funding Formula for 2023-24:

- Implementation of the National Funding Formula rates in the local funding formula. Derby currently mirrors rates set by DfE.
- A Minimum Funding Guarantee set at 0.5% (per pupil funding protection mechanism), the most favourable percentage for schools. This applies to only 4 schools (**identified in appendix 2**); a positive position in so much as most schools are funded at the NFF levels, a high MFG will cause overall affordability issues (protection needs funding) and will mean that those schools triggering the MFG will be on a trajectory of reduced funding as the MFG tapers out.
- A transfer of £1.229m (0.5%) to the High Needs Block. Schools Forum have the powers to approve a transfer of up to 0.5% from the Schools Block to other areas of the DSG. The amount requested for 2024-25 is within the permitted limit.
- A cap on growth above 1.4%, scaling back of 50%. This is required as there is not sufficient funding to fully implement the above principles. For the first time in several years Derby has applied a scaling of 50% to allow those schools who benefit from a gain to retain the full 50%.
- The allocation for the growth fund within the DSG settlement is £1.8m, of this just £0.041m will be retained within the school's block to support the costs of pupil number adjustments with the remainder funding growth numbers in the School Block proforma.

3.4 Formula factors have seen significant increase and Derby on average is allocating MFL significantly above the national prescribed values, however, the impact varies school to school based on the eligibility of pupils triggering the various factors.

Derby's average percentage per pupil increase within the school's block is 5.6% with an overall 7.3% increase in Derby's School's budgets (as identified in appendix 1).

3.5 **The proposed Schools Block for 2024-25 is detailed in the table below.**

Schools Block	2024/25 £'000	2023/24 £'000	Change £'000
Allocation	245,966	228,227	17,740
Transfer to the High Needs Block	- 1,229	- 55	-1,174
Allocation including SB Transfer	244,737	228,172	16,566
Requirement			
Growth Fund	41	178	-137
Balance to be distributed to Schools through the Funding Formula	244,696	227,993	16,703
TOTAL Requirement	244,737	228,171	16,566

To Note that following School Forum of December 2023 de-delegation as reported that evening has been agreed in full by the authorities'-maintained school and is reflected in the school block proforma (APT)

3.6 **Early Years Block (£31.173m)**

Early Years Funding is increasing from **April 2024**, working parents of two-year-olds will be able to access 15 hours of free childcare.

From **September 2024**, 15 hours of free childcare will be extended to all children from the age of nine months. From **September 2025**, working parents of children under the age of five will be entitled to 30 hours free childcare per week. This staggered approach intends to give childcare providers time to prepare for the changes.

Allocation of funding has been reflected in the Early Years Block from April 2024.

Allocations were announced 19th December 2023 and are based an hourly rate allocation to LAs of which all funding entitlements were to be paid from. Note that previous additional grant for teachers pay and pension is now part of the base allocation. The LA's allocation is calculated on the following hourly rates for 24-25.

- £5.71 for 3- and 4-year-old, an increase of £0.58 from previous financial year
- 2-year-old (disadvantaged) £8.16 an increase of £2.48 from previous financial year
- Standalone Nursery protection £6.21 an increase of £1.00 from previous financial year
- £8.16 for 2-year-old entitlement for working parents (from April 24)
- £11.14 for 9 months to 23 months for working parents (from Sept 24)

The main principles adopted for allocating funding to providers is as follows,

- Passport maximum affordable funding as a priority to all qualifying providers.
- Create inclusion funds for 2-year-olds and 3-and 4-year-olds.
- Passport as directed both Disability Access Fund and Pupil Premium
- Top slice for each category to provide support for children with additional and emerging special educational needs, improving school readiness and a positive transition into primary school. This will be additional to the EYIF funded through the High Needs Block.

What this means for Derby is the following.

For the existing 3- and 4-year Derby's budget proposals for 2024-25 are a 11.7% increase on the base rate within the formula to reflect the cost pressures faced by the sector and will be at an hourly rate of £5.25 (increase of £0.55) the balance is reflective of amounts paid to providers via factors such as deprivation, SEN inclusion fund and the top slice element.

For the existing 2-year-old Disadvantaged, funding has been a direct passport to providers in previous years. From April 2024 there is opportunity both to create an inclusion fund and top slice. Derby's budget proposals for 2024-25 are 35.74% increase in the base rate, with an hourly rate of £7.71 (increase of £2.03) the balance is reflective of amounts in SEN inclusion and top slice element.

It needs to be noted that funding for the two new elements will be reviewed by the DfE in the financial year, what this means for Derby is that allocations will change depending on a termly census review. The proposal is for this reconciliation to be in effect for one year only, however, this does mean that allocations need to be prudent to cover any prospect of a short fall in year.

Derby's budget proposal for 2024-25 for 2-year-old – working parents – is a rate of £7.71 per hour, the balance is reflective of amounts in SEN inclusion and top slice element.

Derby's budget proposal for 2024-25 for 9 months to 23 months – working parents – is a rate of £10.80per hour, the balance is reflective of the top slice.

It needs to be noted that the Stand-Alone Maintained Nursery Supplementary rate of £6.21 is distributed to standalone nurseries via a lump sum and hourly rate, Derby's budget proposal is to maintain the lump sum at £100k with and hourly rate increase of £1.22 to £3.27. this reflects the DfE decision to mainstream the Teacher Pay and Pension (previously a grant) into the MNS supplementary formula element.

The proposed Early Years Block for 2024-25 is detailed in the table below.

Early Years Block - DSG Allocation and Requirement

3.7

Early Year Block	2023/24 £'000	2022/23 £'000	Change £'000
3- & 4-Year-old allocation	17,591	15,906	1,685

Disadvantage 2-year-old allocation	3,553	2,735	818
Pupil premium	534	322	212
disability access fund	248	138	110
Supplementary funding for Maintained Nursery Schools	1,521	1,248	273
Adjustment for January 2023 Census data 3- & 4-year-olds		489	-489
New allocation for 2-year-olds working parents*	4,254		4,254
New allocation for 9 months to 23 months working parents* (includes adjustment for amended week as per announcement 11 th January 24)	3,472		3,472
TOTAL Early Years budgets	31,173	20,838	10,335
Requirement			
Disadvantage 2-year-old funding	3,357	2,735	622
SEN Locality Funding/staffing disadvantage 2-year-olds	85	0	85
Contingency disadvantage 2-year-olds funding	4		4
Top slice for EY services disadvantage 2-year-olds	107		107
3- and 4-Year-Old Funding - Universal and Extended hours	16,937	15,812	1,125
SEN Locality Funding/staffing 3- & 4-year-old	100	0	100
Top slice for EY Services 3- & 4-year-old	528	470	58
Contingency 3- and 4-year-old	26	32	-6
Maintained Nursery School Funding (MNS)	1,521	1,248	273
Working Parent 2-year-olds	4,020		4,020
SEN Locality Funding/staffing working parent 2-year-olds	85	0	85
Contingency working parent 2-year-olds	21		21
Top Slice for EY Services working parent 2-year-olds	128		128
Working Parent 9 months to 23 months	3,364		3,364
Contingency working parent 9 months to 23 months	4		4
Top Slice for EY services working parent 9 months to 23 months	104		104
Early Years Pupil Premium 3- & 4-year-old	339	322	17
Early Years Pupil Premium 2-year-olds	186		186

Early Years Pupil Premium working parents 9 months to 23 months	9		9
Disability Access Fund 3- & 4-year-old	165	138	27
Disability Access Fund 2-year-olds	66		66
Disability Access Fund working parent 9 months to 2 years	17		17
TOTAL Requirement	31,173	20,757	10,416

***Allocation to be adjusted each term.**

3.8 High Needs Block National Context

High needs funding is increasing by a further £440 million, or 4.3%, in 2024-25. Following the £970 million increase in 2023-24 and £1 billion increase in 2022-23. This brings the total high needs budget to £10.54 billion – an increase of over 60% since 2019-20. The high needs NFF has ensured every local authority received at least a 3% increase per head of their 2-18 population. The Government remains committed to ensuring a financially sustainable system, where resources are effectively targeted to need.

3.9 Since 2018-19 local authorities are able to transfer up to 0.5% of the gross Schools Block to High Needs, following consultation with schools and the approval of the School's Forum. Should the Schools Forum not approve a transfer approval can be sought from the Secretary of State. A transfer of greater than 0.5% of the gross Schools Block can only be made with the approval of the Secretary of State. There are no restrictions on transfers between other blocks. Approval for a transfer is only for the year it is enacted; further approvals are required annually.

This current financial year sees the request to transfer £1.229m from the Schools Block to the High Needs block. The requirement will further ease the pressures reported within the High Needs Block after the Council contribution toward HN transformation of £1m for both 22-23 and 23-24 financial year.

3.10 Derby Context

There are significant pressures on the High Needs Block and Dedicated Schools Grant reserves remains in a deficit position. Due to the mounting pressures, there are a number of projects underway improve the financial position in Derby, whilst maintaining the needs of those supported by the High Needs Block.

Additional funding (announced December 22) for AP and Special schools is continuing. The guidance requires local authorities to pass on the same level of additional funding to these schools similar to the previous year.

Derby passported the increase to the eligible establishments 23-24 by using commissioned place numbers based on 5/12th 22-23 and 7/12th 23-24 (£0.74m). The same methodology can be used for the additional grant in 24-25, which the LA would recommend as this is most favourable to those eligible. The alternative method would be to use 23-24 places numbers for the whole financial year. The cost is £0.792m and forms part of the HNB requirement.

The ongoing pressures within HNB remains, with the total cumulative forecast deficit for 2023-24 being a significant at £13.781m, a variance from the unmitigated budget set of £3.040m. This variance is due to the absence of a banding system that allows for effective management of resources and is reflective of a Q3 position.

A revised High Needs Block deficit plan is in development with schools, this will include: -

- Creating a strategic alliance to ensure collective responsibility and oversight. This working group will monitor the reaction of the HNB deficit management plan actions, receive feedback from the various working groups, schools' strategic groups and shape recommendations and decisions.
- Implementing a banding system to regulate funding and ensure equity across schools. The working group will establish a banding system and exceptional funding framework that is needs led, ensuring appropriate use of resources and consistency with other local authorities.
- A full review of funded provisions will be undertaken to ensure compliance with statutory responsibilities with robust commissioning arrangements.
- Improving demand will be achieved through supporting mainstream schools to meet needs earlier, through developing specialist skills of the workforce.
- An end-to-end review of the EHCP process to strengthen SMART outcome focused decision making, consistency of decision making, and accountability processes.
- Development of enhanced provisions within mainstream to support more young people to remain in mainstream settings.
- Review of all funding against the HNB statutory guidance
- A review of the capital funding for special school expansion

A three-year plan, including targets and a banding system and exceptional funding framework will be presented to the School Forum in June 2024.

3.11 High Needs Block – DSG Allocation and Requirement

High Needs Block	2024/25	2023/24	Change
	£'000	£'000	£'000
HN block allocation	58,596	56,628	1,968
Transfer from Schools Block	1,229	55	1174
Allocation including transfer	59,825	56,683	3,142
Requirement			
SENDIAS		55	-55
Parent carer coordinator	46		46
Derby SAL	75		75
School inclusion	300		300

Early years inclusion fund	450	450	0
Additional High Needs Top Up in school block schools (E3 payments)	8,789	5,300	3,489
Growth In on E3 top up payments	1,211	1,764	-553
Personal Budgets	500	200	300
Enhanced Resource Schools	2,746	2,588	158
Special Schools - (including Kingsmead special School) E1/2 & E3	18,686	19,630	-944
Special Schools Exceptional needs funding	620		620
3.4% Grant to mainstream Specials and AP units	792	740	52
Pupil Referral units & AP	3,920	2,712	1,208
Personalised Programmes - Kingsmead	350	700	-350
invest to save SEMH review	94	225	-131
HUBs model or ERS expansion	449	449	0
RPRT programme Step down (fresh start model)		30	-30
Independent Special Schools	14,913	15,485	-572
Other Local Authority Schools	4,280	3,363	917
Other cost relating to other LA placements or independent placements	1,091		1,091
Growth for Independent Special School		3,095	-3,095
Growth for Other Local Authority Schools	446	2,419	-1,973
Post 16 High Needs Other Providers	5,592	5,490	102
High Needs Contingency	1,000	2,050	-1,050
Fresh Start	100	100	0
Speech and Language (balance)		180	-180
Hospital and Medical Education	391	391	0
Specialist Support Teaching Services (SSTS)	788	732	56

EIT	271	279	-8
Inclusion	397	328	69
Other Team costs	151	154	-3
Total Requirement	68,448	68,909	-461
Use of DSG Reserves	0	0	-
in year deficit 24-25	-8,623	-12,226	3,603
			0
Deficit brought forward	-13,781	-4,443	-9,338
Total deficit	-22,404	-16,669	-5,735

3.12 Dedicated Schools Grant Reserve Balances

The table below shows the DSG reserves position over the last 8 financial years.

	£ million	
2015 16	6.882	
2016 17	6.955	
2017 18	6.994	
2018 19	2.836	
2019 20	2.582	
2020 21	4.211	
2021-22	(1.4)	Deficit with commitments
2022-23	(4.443)	Deficit
2023-24	(13.781)	Forecast Deficit

3.13 Deficit Management Plan

It is a requirement of the DSG: conditions of grant 2022 to 2023 (paragraph 5.2) that local authorities (LAs) have a plan in place to manage their overspend on the DSG.

The dedicated schools grant management plan was agreed at Derby City Council's Cabinet meeting in June 2023. The management plan outlines the current trajectory of expenditure and sets out the identified, mitigating activities aimed at bringing expenditure back in line with forecasted budgets over the next five years. The plan has been agreed by the Department for Education who will systematically review progress with senior leaders across the local area.

The SEND Strategy through its transformational workstreams will impact on delivering a sustainable system with better outcomes and increased parental

confidence, and without the plans Derby's unmitigated deficit would be significantly higher. This is in the context of a national SEND system that is under unprecedented pressure with the overspend on the high needs block forecast to hit the £3bn mark by the end of the financial year. To note this is currently contained within a national statutory override process that is due to end in March 2026, at which point there is the possibility that each deficit is held by the local authority. To address the deficits in local authorities the DFE have instigated the Safety Valve and Delivering better value initiatives to support local authorities to reduce a deficit position.

For more information contact:	Janice Hadfield, email Janice.Hadfield@derby.gov.uk
Background papers:	
List of appendices:	Appendix 1 – summary of all mainstream schools Appendix 2 – summary of MFG schools