

York Schools Forum

19 October 2023

Report of the Head of Children & Education Finance

## THE SCHOOLS BUDGET AND THE DEDICATED SCHOOLS GRANT FOR 2024/25

### Summary

- 1 This report provides the Schools Forum with initial information on the Schools Budget and Dedicated Schools Grant (DSG) funding for the 2024/25 financial year. The report focuses on decisions that the forum will need to make or areas that the local authority (LA) will be required to consult the forum on, in order for budgets for schools, early years providers and LA maintained services to be set prior to the start of the new financial year.

### Background

- 2 The DSG is ring-fenced for funding the provision of education or childcare for 3 to 16 year olds in all settings. As such it covers funding delegated to individual LA maintained schools, academies and PVI providers through the LMS & Early Years funding formulae, plus funding for other pupil provision which is retained centrally by the LA to support such things as Special Educational Needs and some central education services.
- 3 The DSG allocations for schools, high needs, early years and the central school services block have all been run under national funding formulae (NFF) since April 2018. These arrangements are continued for 2024/25 with some minor changes to the schools NFF and a continuing reduction in the funding allocated to the LA for centrally retained budgets. For the early years block the DfE has proposed some more material changes that were set out in a consultation earlier this year. As a consequence, funding for early years in 2024/25 has not yet been announced.

### DSG Allocations for 2024/25

- 4 The funding LAs receive in each block is determined by a specific national funding formula (NFF). At the time of writing this report the provisional allocations for the early years block had not been announced.
- 5 The total DSG allocation (excluding Early Years) for 2024/25 is estimated at £156.083m, an increase of £2.724m (1.8%) from 2023/24 and broken down as follows:

	<b>2023/24</b>	<b>2024/25</b>	<b>Increase</b>	
	<b>Adjusted</b>	<b>Provisional</b>	<b>£m</b>	<b>%</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	
Schools Block	123.602	125.885	2.283	1.8%
High Needs Block	27.683	28.349	0.667	2.4%
Central School Services Block	2.074	1.849	(0.225)	(10.8%)
	<b>153.359</b>	<b>156.083</b>	<b>2.724</b>	<b>1.8%</b>

*Note – Excludes Early Years Block*

## Schools Block

### School Formula Funding

- 6 The vast majority of the Schools Block DSG (£125.551m) is used to fund the local funding formula for mainstream schools (maintained and academies). Following a detailed consultation with all schools and the Schools Forum prior to setting the 2018/19 budget, the LA agreed to introduce the DfE's new national funding formula (NFF) at school level from April 2018. For 2024/25 the LA is again proposing to follow the NFF for schools.
- 7 Apart from split site funding (see paragraph 11 below), the funding factors used in the 2024/25 NFF remain the same, however the factor values will increase by the following amounts:
  - 1.4% to the basic entitlement, free school meals at any time in the last 6 years (FSM6), income deprivation affecting children index (IDACI), lower prior attainment (LPA), English as an additional language (EAL), sparsity and the lump sum
  - 1.6% to pupils currently accessing free school meals (FSM),
  - 0% on the premises factors, except for the PFI factor which has increased by RPIX
- 8 On top of these uplifts, the DfE have increased the basic entitlement, the FSM6 and the lump sum factors to reflect the rolling in of the mainstream schools additional grant (MSAG) into the NFF, with more details at paragraph 16 below.
- 9 The minimum per pupil levels in 2024/25 will be set at £4,610 per pupil for primary schools and £5,995 per pupil for secondary schools. These amounts include additional funding for the rolling in of the MSAG, plus a further 0.5% increase.
- 10 The 2024/25 NFF funding floor has been set at 0.5%. This means that every school will attract an increase in their pupil-led funding of at least 0.5% per pupil, compared to their 2023/24 baseline. Funding floor baselines have also been increased to take account of the rolling in of the MSAG.
- 11 The **split sites factor** targets extra funding to schools which operate across more than one site. As announced in the response to their consultation, the DfE are introducing a formulaic approach to allocating split sites funding in the NFF in 2024/25. Their intention is to ensure that split sites funding will be provided on a consistent basis across the country, replacing the previous locally determined split sites factor used by some LAs including York.
- 12 The split sites factor is made up of two parts:
  - i. Basic eligibility funding: Schools attract a lump sum payment for each of their additional eligible sites – up to a maximum of three additional sites. Each additional site must be separated from the school's main site by a public road or a railway. Have a building on them which is primarily used for the education of 5 to 16-year-old pupils in mainstream education. This excludes playing fields, ancillary buildings and buildings leased full time by the school.
  - ii. Distance funding: Additional eligible sites that are separated from the school's main site by more than 100 metres attract distance funding on top of the basic eligibility funding – up to a maximum of three additional sites.
- 13 Under the existing York split sites factor two schools are eligible for funding totalling £235k. The new DfE factor would still allocate funding to these two schools but with a reduced total

of £161k. However, for one school this would represent a significant reduction in their headline formula funding from £185k in 2023/24 down to an estimated £81k in 2024/25. The other school's allocation would increase from £50k under the York factor to an estimated £81k under the new DfE factor. Depending on the change in their overall total funding allocation from 2023/24 to 2024/25, both schools may then be subject to either protection under the NFF funding floor guarantee, or capping under the significant gains ceiling mechanism.

- 14 At a national level, school funding through the NFF is increasing by 1.90% per pupil. However, the average increase for York schools is estimated at 1.85% per pupil as a higher proportion of York schools are already receiving protection through the funding floor and the minimum per pupil amounts, which only increase by 0.5% in 2024/25.
- 15 Local authorities will continue to determine the final allocations for all local mainstream schools in 2024/25. However, following last year's consultation on implementing the direct national funding formula, the DfE has confirmed that it will continue to move forward with its plans to implement a direct NFF, whereby funding will be allocated directly to schools based on a single, national formula. As set out in their consultation response, they are proposing a gradual approach to transition to avoid any unnecessary or unexpected disruption to schools.

#### Rolling the Mainstream Schools Additional Grant Funding into the NFF

- 16 The MSAG was introduced in 2023/24. Schools had flexibility over how they used the additional grant funding to support their pupils. For example, schools could use the funding to meet day-to-day running costs, such as staff salaries and energy costs. The grant funding in respect of pupils from reception to year 11 is being rolled into the schools NFF from 2024/25.
- 17 The aim of the DfE's approach for rolling the grant into the schools NFF is to ensure that the additional funding schools attract through the NFF is as close as possible to the funding they would have received if the funding was continuing as a separate grant in 2024/25, without adding significant additional complexity to the formula.
- 18 The grants have been rolled in in three ways, to reflect the three different ways in which schools attract funding through the NFF. This follows the same approach to the rolling in of the Schools Supplementary Grant funding to the 2023/24 NFF:
  - Adding £119, £168 and £190 to the primary, key stage 3 and key stage 4 per pupil funding factors respectively; £104 and £152 to the primary and secondary FSM6 factors; and £4,510 to the school lump sum. This increases the amount that schools already on their NFF allocations attract. The NFF factor value increases correspond to the values of the grant itself in 2023/24.
  - Adding £143, £186 and £208 to the minimum per pupil (MPP) funding levels for primary, KS3 and KS4 respectively. This increases the amount that schools funded through the MPP funding levels attract through the NFF. The amounts reflect the average amount of funding these schools currently attract through the grant.
  - Adding an amount representing the total funding schools receive through the MSAG, in respect of their reception to Year 11 pupils, onto their baselines. The baseline is then used to calculate funding protection for schools through the funding floor. This increases the amount that schools whose allocations are determined by the funding floor will attract.

- 19 The rolling in of these grants into the schools' NFF allocations will affect the core budgets that maintained schools will receive from April 2024, and that academies will receive from September 2024. To avoid an unfair gap in the support provided to academies, academies will therefore continue to receive separate grant payments up until the end of August 2024. The MSAG will then cease to operate as a separate grant.

#### DfE Funding Error

- 20 The DfE first published the 2024/25 NFF in July 2023. Following the discovery of a technical error made by officials during the initial calculations, an update was made to the schools NFF in October 2023. The technical error was due to the incorrect processing of pupil numbers in the initial calculations by the DfE. This error meant that the overall cost of the schools NFF was underestimated, and incorrect factor values were published in July.
- 21 The figures and analysis earlier in this report reflect the new, correct, factor values as per the October update. No other changes were made to the structure of the NFF, or the rules governing the local formulae, since July. The high needs NFF and Central schools Support Budget (CSSB) were unaffected by this error.
- 22 The impact of this error on the funding originally announced for York schools in July is significant. Overall the Schools Block allocation for York reduced by £1.166m equating to 34% of the originally communicated increase. At school level this resulted in the expected increase reducing from £152 per pupil to £100 per pupil. The equivalent of £13k for an average primary school and £55k for an average secondary school.

#### Teachers Pay Additional Grant (TPAG)

- 23 The TPAG was announced in July 2023 in response to higher than originally estimated pay awards for teachers from September 2023. Schools will shortly be receiving an allocation for the 2023/24 financial year. For 2024/25 the DfE has not rolled the TPAG into the NFF for schools. Instead it will continue to be paid to schools in 2024/25 as separate grant in addition to the NFF funding described above.
- 24 The estimated (subject to DfE confirmation) base funding rates for the 2024/25 financial year are:
- £62 per primary pupil
  - £86 per key stage 3 pupil
  - £98 per key stage 4 pupil
  - a lump sum of £2,306
  - £53 per eligible primary FSM6 pupil
  - £77 per eligible secondary FSM6 pupil

#### Growth Fund

- 25 The remaining £0.334m of the Schools Block DSG is allocated to the growth fund, although this amount will be confirmed once the autumn census numbers are known. The growth fund can only be used to support increases in pre-16 pupil numbers to meet basic need, additional classes needed to meet the infant class size legislation or meet the costs of pupils in new schools commissioned to meet basic need. The growth fund may not be used to support schools in financial difficulty or general growth due to popularity; which is managed through lagged funding. The current criteria and formulae for allocating the growth fund in the 2023/24 academic year are set out at Annex 1.

- 26 Under the DfE's gradual transition to a hard NFF for schools, they have started to tighten up the way in which LAs are allowed to administer their growth funds. For the first time in 2024/25 LAs will be required to provide growth funding where a school or academy has agreed with the LA to provide an extra class to meet basic need in the area (either as a bulge class or as an ongoing commitment). Funding, either through the growth fund, or by adjusting pupil numbers in the APT, will need to be provided regardless of whether the additional class is within or outside of the school's PAN.
- 27 As a minimum LAs will have to provide funding to a level which is compliant with the following formula:
- Growth factor value (£1,550) × number of pupils
- 28 The growth factor value will be used as the factor value for all school types - recognising that this funding is a minimum value. Funding for maintained schools is provided to cover the period from September to March before the lagged funding system 'catches up' from the subsequent April through the subsequent year's NFF. Since academies are funded on an academic year basis, they would receive additional funding (at a rate of an additional five-sevenths of the allocation) to cover a full year's growth funding before the system 'catches up'.
- 29 York's current growth criteria already includes some of the elements in the DfE's new requirements. However, further modelling will be required to understand whether our current arrangements can remain affordable within the growth allocation provided by the DfE. Particularly, how sustainable our current Infant Class Size Funding formula will be given there will be prescribed minimum amounts of funding for basic need growth.

### Early Years Block

- 30 The DfE announced a significant expansion of the entitlement to free childcare earlier this year, along with an in-year uplift in funding for the 2023/24 2, 3 and 4 year old provision. The impact of this on the funding rates for York is set out below:

	2022/23 £/hr	2023/24 April - August £/hr	2023/24 September - March £/hr	Increase From 2022/23 £/hr	%
<b>3 &amp; 4 Year Olds</b>	4.67	4.87	5.20	<b>0.53</b>	<b>11.3%</b>
<b>2 Year Olds</b>	5.57	5.77	7.65	<b>2.08</b>	<b>37.3%</b>
<b>MNS Supplement</b>	2.93	3.80	4.01	<b>1.08</b>	<b>36.9%</b>

- 31 Following this the DfE undertook further consultation on their proposals and how the Early Years National Funding Formula will operate from 2024/25 onwards. We are awaiting the results of that consultation and now do not expect to know what increase the DfE will provide for 2024/25 until later this term.
- 32 However, subject to the detail of any announcement, the LA would propose to continue its current policy of increasing the basic hourly rates to providers and the hourly deprivation supplement by the same percentage as any increase in the hourly rate received by the LA from DfE. Similarly, under the formula to support stand-alone nursery schools, any amount received by the LA will be passed on in full to St Paul's Nursery School.

## High Needs Block

- 33 The high needs block DSG increases by £0.667m (2.4%) in 2024/25. This is a lower increase than in recent years where high needs allocations have increased between 5% and 8% per year. As has been previously reported, the high needs budget is already under significant pressure due to rising demand from increased numbers of SEND pupils. For 2023/24 net in year expenditure within the high needs block is projected to be £1.3m higher than the core DSG funding allocated by government. However, as part of the safety valve agreement that the LA has made with the DfE, additional grant of £2m is due to be received by the end of the financial year. The effect of this additional grant produces a net in year high needs block surplus of £0.7m and reduces the projected high needs deficit carry forward to 2024/25 to £2m.
- 34 Further detail on the DSG safety valve recovery plan is the subject of a separate report on this agenda. However, it should be noted that the plan agreed with the DfE, if implemented in full, would result in a balanced high needs budget by the end of 2025/26. The original plan included a commitment from the DfE to allocate additional funding to York of £17m over the period 2021/22 to 2025/26, subject to certain conditions. To date £12m of this funding has been received by the LA, with a further £5m due in instalments over the next three financial years.

## Central School Services Block

- 35 This funding block was created in 2019/20 from elements of the previous schools block and the former Education Services Grant (ESG). As part of the DfE's strategy to remove funding within this block that directly supports exceptional expenditure previously agreed between LAs and their Schools Forums, there is a significant net reduction of 10.8% in 2024/25. This follows similar reductions in 2021/22, 2022/23 and 2023/24. This net reduction is made up of a 3.4% increase in the allocation for the ongoing responsibilities that the LA continues to have for all schools, and a 20% reduction in the allocation for historic commitments.
- 36 The DfE is protecting any LA from having a reduction that takes their total historic commitments funding below the total value of their ongoing prudential borrowing and termination of employment costs, in recognition of the time required for these costs to unwind. Although York isn't quite at this stage yet, we will be very soon if further 20% reductions are made. At that point no further reductions are expected to be made, until actual expenditure on termination of employment or prudential borrowing costs reduces.
- 37 For 2024/25 this means allocations of £0.840m for LA on-going responsibilities and £1.009m for historic commitments. As historic commitments currently total £1.261m in 2023/24 the LA, in consultation with the forum, will need to identify budget reductions totalling £0.252m for 2024/25. A description of the historic commitments and the background to how they were created is set out at Annex 2.
- 38 Outturn expenditure in 2022/23 for termination of employment costs and prudential borrowing totalled £0.644m and it is expected that the DfE will continue to protect the LA's historic commitments allocation at at least this level. This means that for 2024/25 the LA is proposing to remove all of its other historic commitment budgets totalling £79k. The remainder of the required reduction (£0.173m) will then need to be found from the School Improvement Commissioning budget, reducing that budget from £0.494m in 2023/24 to £0.321m in 2024/25.

## Recommendations

- 39 Members of the forum are asked to;
- confirm that they are content for the schools budget to continue to be allocated to schools under the formula and factors contained within the schools national funding formula (paragraph 6),
  - note that further modelling will be required around the pupil growth & infant class size funds to understand whether our current arrangements can remain affordable within the growth allocation provided by the DfE (paragraphs 25-29),
  - agree to an increase in early years funding rates to providers in proportion to any increase in the early years funding allocated by government to the LA, subject to the final announcement on early years funding from the DfE (paragraphs 30 - 32),
  - note the impact on centrally retained historic commitment budgets for 2024/25 following the further 20% reduction in funding from the DfE (paragraphs 35 to 38),

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## Annexes

Annex 1 - Pupil Growth Funding Criteria

Annex 2 - Central Historic Commitment Budgets 2023/24

## Pupil Growth Funding

### Infant Class Size Funding

To maintain class sizes at no more than 30 pupils, Infant Class Size funding will be allocated based on the actual autumn census numbers for each school, i.e. autumn 2023 for an allocation for the 2023/24 academic year. Schools will be allocated a sum equivalent to the notional class teacher element of the primary AWPU to provide funding to support a teacher for each infant class, with reductions to take account of the economies of scale available to larger schools.

The total number of reception, year 1 and year 2 pupils at each school is divided by 30. The remainder (after whole classes of 30 have been accounted for) is deemed to be the size of the “last class”. The amount of funding for the “last class” then depends on its size.

The formula calculates the total amount of notional class teacher funding already allocated to the school within the AWPU sum for each pupil in the “last class”. This sum is then deducted from the notional cost of a class teacher. The result of this calculation is the top-up amount available to support a full time equivalent teacher for the “last class”. The table below shows the amount of the top up depending on the size of the “last class”. However, it should be noted that these values have not been updated for the last three years whilst the growth fund allocation from the DfE has been reducing:

Size of “Last Class”	Top-up Funding £	Size of “Last Class”	Top-up Funding £	Size of “Last Class”	Top-up Funding £
0	0	10	20,943	20	7,903
1	32,679	11	19,639	21	6,599
2	31,375	12	18,335	22	5,295
3	30,071	13	17,031	23	3,991
4	28,767	14	15,727	24	2,687
5	27,463	15	14,423	25	1,383
6	26,159	16	13,119	26	79
7	24,855	17	11,815	27	0
8	23,551	18	10,511	28	0
9	22,247	19	9,207	29	0

Each school then receives a proportion of this top-up funding depending on the total number of infant pupils in the school (this is to try and recognise that larger schools are likely to have more flexibility in organising class structures than smaller schools). The following table shows the percentage of the top-up funding actually received:

Number of Infant Pupils	Funding Percentage
1 to 90	100%
91 to 120	80%
121 to 150	60%
151 to 180	40%
181 and above	20%

No retrospective adjustments are made even if pupil numbers change during the year.

Example:

- Autumn Census = 100 infant aged pupils
- Size of “last class” = remainder of 100 / 30  
= 10
- Top-up funding from table 1 = £20,943
- Percentage of top-up from table 2 = 80%
- Infant Class Size Funding = £20,943 x 80% = **£16,754**

Basic Need Pupil Growth Funding

Additional funding for basic need growth will be made available to schools that are subject to a significant (i.e. >1%) increase in pupil numbers under the following circumstances:

- the LA (or the school at the request, or with the support, of the LA) carries out a formal consultation and approves an increase in the capacity of a school
- the LA requests a school to increase or exceed its published admissions number
- the LA requests a school to admit significant additional pupils as part of a reorganisation or school closure

Funding will not be allocated to a school in the following circumstances:

- the school has surplus places and then takes additional pupils up to its PAN outside of the circumstances described above
- the school admits pupils in excess of their PAN at their own choice
- the school is directed/requested to admit additional pupils as a result of errors, appeals, fair access protocol, SEN, LAC etc.

Depending on the circumstances, funding will be calculated based on the number of relevant (i.e. whole school, specific year groups, geographic areas etc.) additional pupils admitted as per the autumn census data for each year, multiplied by the appropriate AWPU value and pro-rated for the period that the pupils will be unfunded (normally 7 months for maintained schools and 12 months for academies) in the main school funding formula allocation. Whatever the circumstances, the maximum pupil growth allocation will be capped at an amount equivalent to that attributable to the school’s total increase in reception to year 11 pupils in excess of 1%.

Funding Cap

The level of funding required to be allocated to schools under the local growth criteria and formulae is difficult to predict with any certainty each year. In recent years the fund has been overspent and this is likely to continue as the DSG allocation from government reduces. As a result, and following consultation with the Schools Forum, all allocations made from the growth fund will be capped under a cash limited budget. This means that if the total of all allocations to schools in a particular year, calculated via the relevant formulae, exceeds the budget available then all allocations will be reduced pro-rata. The reduction that was applied for the 2022/23 academic year allocations was 25.54%.

## Central Historic Commitment Budgets 2023/24

### Termination of Employment Costs (£0.383m)

School redundancy and early retirement costs where the revenue savings achieved by the termination of employment to which they relate are greater than the costs incurred. The costs charged to this budget only relate to decisions made prior to 2013/14.

### Prudential Borrowing Costs (£0.305m)

This budget is set aside to fund the repayment of loans for school building capital works where the original investment contributed towards an overall net revenue saving to the Schools Budget. Contributions to the following schemes are covered by the current budget provision:

- York High School (Merger of Lowfield and Oaklands Secondary Schools)
- Clifton with Rawcliffe Primary School (Merger of Clifton without Junior and Rawcliffe Infants Schools)
- Our Lady Queen of Martyrs Primary School (Merger of Our Lady's and English Martyrs Primary Schools)

### Contribution to Combined Budgets (£0.573m)

Under the school finance regulations, prior to 2012/13 schools could agree (through the Schools Forum) to allow the LA to use DSG funding to support certain central services that have a wider educational benefit or generate a net overall saving to the Schools Budget.

A significant proportion of this funding relates to former standards fund grants that were mainstreamed in 2011/12. At that time a total of £12m of standards fund grants were transferred into the DSG. Of this £11m was delegated directly to schools or other settings through the school funding formula or other mechanisms. As the remaining standards fund allocations were supporting central services the Schools Forum agreed to allow this to continue to support

- School Improvement Service (£0.169m)
- Children's Centres on school sites (£0.029m)

The remaining funding retained under the combined budget heading relates to three specific decisions made prior to 2012/13 by the Schools Forum:

- Safeguarding Advisor (Schools) (£0.050m). This funding, agreed in 2009/10, allows the LA to employ an additional post within the Safeguarding Unit with a specific role of supporting schools to deliver on their safeguarding duties.
- Schools Causing Concern (£0.200m) / School Improvement Topslice (£0.125m). Although this funding is initially retained centrally by the school improvement service it is all ultimately either allocated to individual schools or spent on activity supporting improvement at individual schools.

The forum will note that in respect of the budgets for School Improvement (£0.169m), Schools Causing Concern (£0.200m) and School Improvement Topslice (£0.125m), totalling £0.494m in 2023/24, the forum has made a further set of decisions to bring these budgets together into a School Improvement Commissioning fund. Decisions on the use of this fund are subject to regular separate reports to the forum.