

## CABINET

23 January 2024

<b>Title:</b> Dedicated Schools Budget and Schools Funding Formula 2024/25	
<b>Report of the Cabinet Member for Educational Attainment and School Improvement</b>	
<b>Open Report</b>	<b>For Decision</b>
<b>Wards Affected:</b> All	<b>Key Decision:</b> Yes
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<b>Accountable Director:</b> Jane Hargreaves, Commissioning Director – Education, Youth and Childcare	
<b>Accountable Executive Team Directors:</b> Jo Moore, Strategic Director, Resources, and Elaine Allegretti, Strategic Director, Children and Adults	
<b>Summary</b> <p>This report provides an update on the national and local Education Funding position and the likely impact on schools and other Education services in Barking and Dagenham. It also sets out the Dedicated Schools Budget (DSB) strategy for 2024-25 and the principles to be used for the Local Funding Formula for Schools following discussion with Schools Forum and consultation with schools. The report also considers the implications for the Council of the funding changes and the risks and opportunities that arise as a result.</p>	
<b>Recommendation(s)</b> <p>The Cabinet is recommended to:</p> <ul style="list-style-type: none"><li>(i) Note the indicative allocation of Dedicated Schools Grant for 2024/25 as set out in section 2 of the report;</li><li>(ii) Approve the strategy for the Dedicated Schools Budget as set out in section 3 of the report;</li><li>(iii) Approve, subject to consultation with Schools and the Schools Forum, the proposed principles for the design of the Local Schools Funding Formula as set out in section 4 of the report;</li><li>(iv) Note the allocated funding and strategy for the three other funding blocks as set out in section 5 of the report;</li><li>(v) Approve the increases in the Early Years so that the funding rate for three and four year olds is increased to £5.15 per hour and that for two year olds is increased to £6.09 per hour; and</li></ul>	

- (vi) Delegate authority to the Strategic Director, Children and Adults, in consultation with the Strategic Director, Resources, the Schools Forum and the Cabinet Member for Educational Attainment and School Improvement, to approve the final 2024/25 school funding formula for submission to the Education and Schools Funding Agency.

### **Reason(s)**

The Dedicated Schools Budget is part of the Council's overall budget and Local Authorities are required to develop and maintain a Local Funding Formula to distribute funding to schools.

## **1. Introduction and Background**

- 1.1 Most Education funding is provided by the Department of Education in the form of a specific ringfenced grant to Local Authorities known as the Dedicated Schools Grant. This was first introduced in 2006 and at that time was based on the allocations within Local Authority budgets for Education. However, since that time the direction of travel has been towards replacing this with a national formula-based allocation with funding based on population and indicators of additional needs such as deprivation and poor attainment.
- 1.2 The DSG is made up of four blocks that fund different components of the 3-16 Education system: the Schools Block which makes up most of the allocations to individual schools, the High Needs Block which provides funding for Special Schools, Alternative Provision, and Additional support for students with Special Education Needs in mainstream schools, the Early Years block which provides funding for two, three and four year olds education and the Central Block which funds various central services such as Admissions and School Improvement. More information is given on each of the blocks in the report.
- 1.3 The ultimate intention of Department of Education policy is that Schools Block funding will be passported straight to schools based on the National Funding Formula. However, there is a transitional period before this happens during which time the Local Authority is required to set its own formula in consultation with its School Forum and local schools although this must be within the tight framework set out in national guidance. The details of the LBBB formula are also set out in this report.
- 1.4 In general the effect of operation of the National Funding Formula for the Schools Block would be to move funding away from London authorities towards other areas although this effect has been dampened by the use of a funding floor. In practice given that Education funding at the national level has been subject to limited increases for many years what this means is that London schools have tended to see only minimal below inflation increases in funding with greater increases going to schools in other areas. Combined with a demographic dip in the primary population this has created financial pressures for most LBBB schools which will tend to worsen if pay, energy and other costs continue to increase as is likely.

1.5 On the other hand the move to a formula-based allocation has improved funding for the High Needs Block which had previously been severely underfunded. However, this remains an area of financial pressure at the local and national level.

## 2. The Dedicated Schools Grant

2.1 As described above the Dedicated Schools Grant is made up of four blocks which fund different aspects of the Education system. The table below shows the current year's allocation and the indicative funding for 2024-25 as published by the DfE and the final allocation published in December 2023. Note that the indicative funding is based on the School Census data for October 2022 while the final allocation is in line with pupil numbers in Census data from October 2023.

Dedicated Schools Grant	2023-24	2024-25	2024-25
		Indicative Allocation	Final Allocation
	£m	£m	£m
Schools Block	262.447	272.424	275.744
High Needs Block	54.607	56.965	57.291
Central Services Block	2.162	2.107	2.118
Early Years Block	23.174	23.174*	36.292
TOTAL	342.390	354.670	367.846

\*No indicative allocation for Early Years was issued by the Department

2.2 The Schools Block funding for LBBB has been increased by 5% per pupil.

2.3 There has been another increase in the High Needs Block. This reflects both the national funding increase in this area and the continued movement towards the formula-based allocation. The additional grant for High Needs has been included in the block funding and amounts to £2.358m.

2.4 The Central block has been uplifted by inflation for ongoing commitments (admissions, copy right licence and statutory duties) but part of the block that relates to historic spending allocations is being reduced by 20% per annum in line with the Government intention to standardise central spending.

2.5 The Early Years allocation has only just been published. An update will be provided as to the impact on providers shortly. We will ensure that the maximum possible increases are passed on to the frontline.

### **3. Schools Block**

- 3.1 The Schools block is made up of three components. The largest component is the formula led allocation calculated at the individual school level and aggregated to the Local Authority area. Then there are special premises factors such as rates and PFI costs which have not yet been formularised but are set based on last year's actuals. Finally, there is the Growth Fund which is set at Local Authority level based on a formula capturing the change in school age population between census dates.
- 3.2 The national formula for schools funding is intended to provide more consistency and transparency around funding so that when fully implemented, similar children in similar schools will be funded at the same level (adjusted for local cost variations.) It therefore provides a basic age weighted pupil unit (AWPU) of funding for each student in a school with further funding allocated to factors that are indicative of additional needs (deprivation, English as an additional language and low prior attainment) and a small amount of funding for school led funding (a lump sum and funding for rates and exceptional premises costs.)
- 3.3 The AWPU in the national formula is lower than was previously the case for LBBB schools (this is the case for most London authorities) resulting in a distribution of funding away from London on average. However, the additional needs factors are highly weighted so schools with these kinds of students are partially compensated for this. Finally, a funding floor has been used to contain funding losses at a minimum level. (The floor is set on a per pupil basis.) For 2024-25 this has been set at between 0.0% and 0.5%. This is obviously far below inflation and so will result in financial pressures for all schools who receive only this uplift.
- 3.4 This year all 43 primary schools in Barking and Dagenham are on the funding floor, receiving only the minimum increase 0.5% in per pupil funding with the application of the Minimum Funding Guarantee (MFG). No secondary/all through schools are on the floor funding level.
- 3.5 The DfE have used the national formula to calculate individual allocations for all schools in the country. This has then been used to calculate the aggregate Schools Block allocation for each authority and derive the relevant average funding unit of £6,804. The final allocations were published in December 2023.
- 3.6 Since 2018-19 Growth funding has been allocated on a formula based on population changes between one October census and the previous one. In practice for LBBB this is resulting in a less generous allocation than previously. Our local growth funding policy has been revised to reduce funding allocated for new classes opening in September to the AWPU level only (the minimum possible.) This effectively requires new classes to be partly cross subsidised from the school's overall budget. We expect the estimated growth funding available for 2024-25 enough to meet the growth requirement. However, should there be a deficit on growth funding, we will fund any deficit from the DSG reserve rather than top sliced from the schools block – this means that we are passing through as much funding available to schools as possible.
- 3.7 In addition although there is overall pupil growth in the secondary phase and in some geographical areas in the primary phase, in other areas there is a temporary

dip in primary numbers. Demographic modelling suggests that this is only temporary but for some schools this short-term funding drop is hard to manage so the Schools Forum has agreed that a small fund should be made available to support those schools. This will also be funded from the reserve.

3.8 The provisional NFF allocation for LBBD -Schools block is shown in the table below.

	2023-24	2024-25 Indicative	2024-25 Final
Pupil Nos*	40,261	40,261	40,518.50
Primary Unit of Funding (PUF)	£5,492	£5,737	£5,737
Secondary Unit of Funding (SUF)	£7,402	£7,741	£7,741
LA Allocation excluding growth & premises factors	£251,417,653	£262,787,105	£264,925,767
LA supplementary grant (pupils 5-16)			
<b>Total SB baseline (excluding growth)</b>	<b>£251,417,653</b>	<b>£262,787,105</b>	<b>£264,925,767</b>
Baseline per pupil (excluding growth)	£6,245	£6,527	£6,538
Provisional % change in 2024-25	1.63%	1.14%	4.69%
LA Allocation through premises funding	£9,463,966	£9,636,860	£9,636,862
LA Growth Allocation	£1,565,576	*£1,565,576	£1,181,681
<b>TOTAL PUBLISHED SCHOOLS BLOCK</b>	<b>£262,447,195</b>	<b>£273,989,541</b>	<b>£275,744,320</b>

\* No indicative LA Growth Allocation was released by DfE

#### 4. The Local Funding Formula for Barking and Dagenham for 2024-25

- 4.1 The Department of Education have started the transition to a fully formula-based methodology for individual schools and have introduced further restrictions on how far Authorities can move away from the national formula in order to set a local formula that meets the needs of schools in their areas.
- 4.2 Barking and Dagenham has been moving its formula closer to national figures and we use the national rates for all the additional needs factors (i.e., funding for deprivation, low prior attainment, and other needs.) However, we have been using the flexibility to shift more funding towards the primary phase in line with a policy principle agreed with Schools Forum. Prior to introduction of the national formula there was a local funding ratio of 1:1.35 between the primary and secondary sectors. However, the national formula comes out with a ratio of 1:1.42. Over recent years the formula has directed more money towards to the secondary sector and this appears to be a government intention.
- 4.3 The Schools Finance team carried out some modelling and presented three options to Schools Forum and the whole community of schools (both maintained schools and academies). These options were all within the range of values allowed by the transition rules and resulted in three different funding ratios:
- Model A 1:1.42 – a straight application of the NFF formula (This model is unaffordable, and the cash allocation is exceeded by £982k).

- Model B 1:1.42 – an intermediate option, incorporating capping and scaling to ensure the model is affordable.

- Model C 1:1.36 – all factors as per NFF rates, with the exception of AWPU, which has been adjusted to allocate additional funding to the primary sector.

In all models, all other factors were the same. However, the minimum funding guarantee was in place to ensure all schools received a minimum 0.5% per pupil uplift.

4.4 The models were consulted upon with a deadline of December 14<sup>th</sup>. Responses will be collated and published at the January 2024 Schools forum meeting.

4.5 Cabinet are therefore asked to approve the following principles to be used for the 2024-25 Local Funding Formula:

(a) To Apply NFF rates for funding factors including area cost adjustment of 13.05% with the exception of AWPU.

(b) To adjust the AWPU rates to remain within the cash limit and to achieve 1:1.36 ratio between primary and secondary phases or as close to it as possible. This means secondaries would be funded 36% more per pupil than a primary in recognition of their greater costs. The notional funding allocations published by the DfE are showing that most primary schools are having to be supported through the funding floor factor in respect of the minimum 0.5% per pupil uplift. This is because the pupil led factors are not fully effective in driving the funding allocations and result in minimum increases through the formula.

(c) To apply no capping and scaling unless necessary to allow the formula to operate in a reasonable, fair and stable manner. This means that schools will retain all their gains under the formula. However, in the final model, it may be necessary to apply capping and scaling to ensure that the formula remains affordable.

(d) To provide Minimum Funding Guarantee (MFG) protection of 0.5% This measures the percentage increase in per pupil funding between the 2023-24 and 2024-25 formula budget after removing lump sum and rates. The regulations allow the MFG to be set between 0.0% and 0.5%.

4.6 These principles will be approved at the January Schools Forum meeting on 16 January 2024 following the results of the consultation. It is therefore recommended that the Cabinet also approve these principles. This means that the additional needs factors have been established using the National funding formula amounts as a starting point, but the basic age weighted pupil funding has been adjusted in line with the principles above.

4.7 The DfE released updated census data and revised funding allocations on 19<sup>th</sup> December. These required Finance to adjust some factor weightings or other aspects of the calculation. This was done in line with the principles approved and in consultation with Schools Forum and local schools. Cabinet is asked to approve delegated authority of the final sign off to the Strategic Director, Children and Adults, in consultation with the Strategic Director, Resources, and the Cabinet

Member for School Improvement and Educational Attainment. Any significant changes will be reported back to Cabinet in February.

## 5. High Needs Block

- 5.1 The High Needs Block provides funding for Local Authorities (rather than for delegation to schools) and is made available to meet the additional costs of supporting students with special educational needs aged 0 to 25 years. The funding was previously based on historical allocations with very little linkage to actual levels of need in an area. It is now set on a formula basis.
- 5.2 The block funds a range of services including Alternative Provision, Special Schools and ARPs and additional support to High Needs students in mainstream schools. The table below shows the budget allocation for 2023-24. This is an area of high demand that needs strict management and creative strategies. Note that the table differs from the total grant allocation as it has been adjusted for “recoupment” – payments made at source to Special Academies and Free Schools.

	<b>2024/25 Budget</b>
Alternative Provision, inc, commissioned service	4,042,936
ARP Funding	11,040,112
DSG – Education Inclusion.	2,161,587
Out of Borough & Non-Maintained Funding	8,318,115
HN Top Ups – Post 16	2,413,600
SEN Panel Top Ups	5,661,000
LACHES, Lang. Support	372,999
Initiatives	925,601
Special School Funding	15,326,499
EY Portage & Youth Service	619,264
Parent Support & Health	1,435,282
<b>Total Budget</b>	<b>52,316,995</b>

- 5.3 The allocation for 2024/25 has increased by £2.358m or 4.3%. This means that there is no requirement to transfer monies from the Schools Block to support expenditure. It is however likely that the High Needs Block will continue to need careful management in order to contain costs within the total funding. The Authority works closely with representatives from local schools through the High Needs Working Party to devise strategies to manage and reduce demand and control costs.

## 6. Central Services to Schools Block

- 6.1 The Central Block was created in 2018/19 by combining the residual Education Services Grant of £0.6m and £1.9m of funding allocations for central services previously agreed by Schools Forum. The latter is made up specific continuing statutory functions (Admissions and running a Schools Forum) and local arrangements for historically agreed services. The Government's clear intention is to move the ESG and statutory functions elements towards a per head funding regime and to taper off historically agreed services over time.
- 6.2 CSSB is funding the following services:

<b>Service</b>	<b>2023-24</b>	<b>2024-25</b>
Admission Service	671	691
Schools Forum	62	64
Copy right Licences	186	192
Statutory responsibilities	769	792
<b>Total budget for ongoing resp.</b>	<b>1,688</b>	<b>1,738</b>
School Improvement	44	35
Schools Estates	62	50
School Games Organiser	21	17
Trewern outdoor education	85	68
Community Music Service	126	101
Advisory Teachers	136	109
<b>Total Historic Commitments</b>	<b>474</b>	<b>379</b>
<b>TOTAL CENTRAL SERVICES BLOCK</b>	<b>2,162</b>	<b>2,118</b>

- 6.3 Funding for ongoing services is now based on population with a small additional weighting for deprivation. The rate has increased by 2.4% in 2024-25; it has been provisionally assumed this will apply to all services. There will be a further 20% reduction of £0.095m to the historic service block in 2024-25.
- 6.4 The summary below shows how the services funded from the historic element of the CSSG is being remodelled to mitigate the 20% annual reductions:
- **School improvement** – the reductions are being offset by School Improvement contingency and reserves, the reductions will be absorbed by the school improvement service through rationalisation and service redesign.
  - **Advisory Teachers** – this is part of BDSIP contract, and the savings have been passported as a reduction to the contract price.

- **Community Music Service** – the service has remodelled the delivery by entering into a service level agreement with schools.
- **Trewern outdoor education** – to mitigate the impact of the reductions, Trewern has been working on various service delivery options including remodelling of staff deployment, providing additional offers to schools to increase income and build-up of financial reserves.
- **School games organiser** – the reduction in DSG funding is being replaced by other grants such as the young Londoners Fund, Inspiring Futures, Sports England etc.
- **Schools' estates** – the reduction is being mitigated by capitalisation of eligible staffing costs that meets the criteria for capital funding, this is assign to the building of school assets.

## 7. Early Years Block

7.1 Funding for Early Years was also announced in December and is shown below based on an estimated take up..

	Rates 2023/24	Total Funding 2023/24	PTE 2024/25	Annual Entitlement (Hrs) 2024/25	Funded Hours 2024/25	Rates 2024/25	Total Funding 2024/25
Universal entitlement for 3 and 4 year olds	£6.01	£14,658,023	4,278.84	570	2,438,939	£6.29	£15,340,926
Additional 15 hours entitlement for eligible working parents of 3 and 4 year olds	£6.01	£4,144,858	1,209.93	570	689,660	£6.29	£4,337,963
2 year old disadvantaged entitlement			1,125.56	570	641,569	£9.21	£5,908,853
2 year old entitlement for working parents	£6.36	£4,080,380	738.91	570	421,179	£9.21	£3,879,056
Under 2s entitlement			374.37	570	213,391	£12.58	£2,684,458
Early years pupil premium for 3 and 4 year olds		£176,174	498.51	570	284,151	£0.68	£193,222
Early years pupil premium for 2 year olds			281.53	570	160,472	£0.68	£109,122
Early years pupil premium for under 2s			14.08	570	8,026	£0.68	£5,458
Disability access fund for 3 and 4 year olds*		£114,264	190.00			£910.00	£172,900
Disability access fund for 2 year olds*			53.00			£910.00	£48,230
Disability access fund for under 2s*			13.00			£910.00	£11,830
		<b>£23,173,700</b>					<b>£32,692,019</b>

7.2 The DfE have increased the hourly rate used in this overall allocation and it is recommended that these increases be passed on to providers.

7.3 Cabinet are asked to approve the increase of the early years funded rates as follows:

- the 3 and 4 year old funded rates will increase by £0.28 to £6.29.
- the 2-year-olds funded rates will increase by £2.85 to £9.21

## 8. Financial Implications

Implications completed by Amar Barot, Head of Finance, People Services

8.1 As presented in this report. The Dedicated Schools Grant is a ringfenced grant provided by the Department of Education. The updated allocation for 2024-25 incorporating October 2023 pupil census data is £367.846m (including funding for Academies).

## 9. Legal Implications

Implications completed by: Dr Paul Feild, Senior Governance Lawyer

9.1 The Dedicated Schools Grant is payable to local authorities under section 14 of the Education Act 2002. It is as set out in this report a 'ring fenced grant' that is to say it must be solely spent on the grant conditions and guidance as been prepared by the Education and Skills Funding Agency (ESFA) to assist local authorities in the operation of the dedicated schools grant (DSG).

9.2 Each year new regulations are issued as they only cover one year the current being School and Early Years Finance (England) Regulations 2020. In 2024-25, The Council will continue to determine schools' budget allocations at a local level, through a local funding formula, though in future years to come this will change to a national set funding formula.

## 10. Other Implications

10.1 **Risk Management** - There is a risk that for some schools the funding available may not fully meet their expected operating costs and financial pressures. The Minimum Funding guarantee that limits any reduction in funding to 0.5%% per pupil offers some mitigation as it provides a smoothing mechanism preventing sudden funding changes. The Council will continue to work with Schools and others to ensure there are high standards of financial management and control to meet these funding challenges.

10.2 **Staffing Issues** – Many schools in Barking and Dagenham will receive only a small uplift in their funding and where schools are also experiencing changes in roll numbers there may be budget pressures which impact on staffing plans. The Authority has taken some steps to support schools through the creation of a falling rolls fund and access to loans via the Financial Difficulties Fund. Schools are encouraged to work with HR in order to mitigate the impact on individual staff members and to avoid compulsory redundancies as far as possible.

- 10.3 **Corporate Policy and Equality Impact** – The National Funding Formula provides additional funding to meet the educational and safeguarding needs of students with specific characteristics that indicate higher levels of need and vulnerability such as deprivation, lower prior attainment and speaking English as an additional language. This is reflected in the Local Formula
- 10.4 **Safeguarding Adults and Children** - The additional needs factors and the pupil premium provide targeted support for looked after children and those entitled to free school meals. The High Needs block is available to provide support for students with complex educational needs and disabilities.

**Public Background Papers Used in the Preparation of the Report:**

- DSG Operational Guidance  
[Pre-16 schools funding: local authority guidance for 2024 to 2025 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/pre-16-schools-funding-local-authority-guidance-for-2024-to-2025)

**List of appendices:**

- **Appendix A** – Schools Funding Formula Factors & proposed funding model for LBB