

Item 6

Schools Budget 2024-2025

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Brief Summary

This report has been prepared following receipt of pupil data and Dedicated Schools Grant (DSG) allocation information from the Education and Skills Funding Agency (ESFA). The report sets out the budget proposals for 2024/25 across the four funding blocks.

A meeting of the Forum Chairs' Group will take place on 9 January 2024. Recommendations arising from this meeting around finalising the Schools Budget 2024/25 will be presented to the Forum on 11 January 2024.

Following consideration of the final Schools Budget proposals by the Forum and the Lancashire County Council, the Authority is required to submit a final Schools Block budget proforma for 2024/25 to the ESFA by 22 January 2024. This report also provides information on the High Needs, Early Years and Central School Services Blocks for 2024/25, and seeks the formal approval for the budget lines requiring Forum agreement.

Recommendations

The Forum is asked to:

- a) Note the report, including the 2024/25 Dedicated Schools Grant (DSG) allocations and the budget proposals for each of the 4 funding block;
- b) Note the recommendations from the Forum Chairs' Group meeting on 9 January 2024 (to be presented at the Forum meeting on 11 January);
- c) Support the Schools Budget proposals for 2024/25 for the Schools Block, High Needs Block, Early Years and Central School Services Blocks;
- d) Support the proposals for the high needs funding supplementary grant for 2024/25;
- e) Support the Dedicated Schools Grant Reserve underwriting the uncertainties around the Schools Budget 2024/25;
- f) Express any views to be brought to the attention of the Cabinet when setting the 2024/25 Schools Budget.



Detail

The Dedicated Schools Grant is a ring-fenced specific grant and it must be used in support of the Schools Budget as defined in the Dedicated Schools Grant Conditions of Grant and the School and Early Years Finance (England) Regulations. The Dedicated Schools Grant is allocated to every Local Authority in four funding blocks, each calculated using national funding formulae. The four blocks are:

- Schools Block.
- High Needs Block.
- Early Years Block.
- Central School Services Block.

In July 2023, the Government made initial announcements about the 2024/25 school funding arrangements.

Further information on each of the funding blocks is provided below and details of the final 2024/25 Dedicated Schools Grant allocations, notified in December 2023, and the proposed Schools Budget expenditure are contained in Appendix 'A'.

Schools Block

The Schools Block funds mainstream primary and secondary schools and academies.

Following a previous consultation with schools and academies in the County, and discussions with the Schools Forum, the Cabinet ratified the use of the National Funding Formula as the Lancashire formula methodology from April 2018. This will continue to apply in 2024/25.

Department for Education announcements indicate that the basic structure of the National Funding Formula remains unchanged for 2024/25, but higher funding allocations have been used to increase factor values from April 2024.

National Funding Formula factor values for 2024/25 have increased, as follows:

- 1.4% to basic entitlement, free school meals at any time in the last 6 years (FSM6), income deprivation affecting children index, lower prior attainment, English as an additional language and the lump sum.
- 0.5% to the funding floor, the minimum per pupil levels and free school meals.
- 0% on the premises factors, except for PFI which has increased by RPIX.

Key changes to the schools National Funding Formula in 2024 to 2025 are:

- introducing a new formulaic approach to allocating split sites funding in the National Funding Formula in 2024 to 2025, replacing the previous locally determined split sites factor.
- rolling the 2023 to 2024 mainstream schools additional grant into the National Funding Formula by:
 - adding an amount representing what schools receive through the grant into their baselines.



- adding the value of the lump sum, basic per pupil rates and free school meals Ever 6 (FSM6) parts of the grant onto the respective factors in the National Funding Formula.
- uplifting the minimum per pupil values by the mainstream schools additional grant's basic per-pupil values and an additional amount which represents the average amount of funding schools receive from the FSM6 and lump sum parts of the grants.

The announcements also included the relevant minimum pupil funding levels for primary and secondary schools, which incorporate the 1.9% uplift for 2024/25:

- The primary schools, the MPF level will be £4,610 per pupil in 2024/25 compared to £4,405 per pupil in 2023/24.
- For secondary schools, the MPF level will be £5,995 per pupil from 2024/25 compared to £5,715 per pupil in 2023/24.

Minimum Funding Guarantee (MFG)

Local authorities will continue to set a Minimum Funding Guarantee in local formulae, which in 2024/25 must be between +0.0% and +0.5%.

The level to be applied in Lancashire is the subject of a consultation with schools and the Schools Forum. The Forum letter to the Cabinet on finalising the Schools Budget for 2024/25, as set out at Appendix B, will include a final recommendation on the level of Minimum Funding Guarantee to be applied from April 2024.

Schools Block Transfer

The Regulatory framework continues to allow local authorities to be able to transfer up to 0.5% of their schools block allocation to other blocks of the Dedicated Schools Grant, with schools forum approval.

Current modelling indicates that all allocated funding will be required for the Schools Block formula in 2024/25, meaning that there will be no headroom available to support pressures in the other funding blocks.

Once approved, the Schools Block proposals for 2024/25 must be submitted to the Education and Skills Funding Agency, for compliance checking against the Department for Education regulations and guidance. A proforma is provided by the Education and Skills Funding Agency to facilitate submissions and the deadline for the 2024/25 return is 22 January 2024.

High Needs Block

The High Needs Block funds:

- Special Schools budgets.
- Alternative Provision budgets (mainly Pupil Referral Units).
- Special Education Resource Facility and Special Educational Needs in mainstream schools.
- Individually Assigned Resources for High Needs pupils across all educational establishments.



- Certain Special Education Needs Central Schools Services.

The allocation to Lancashire is calculated using a national High Needs Block formula, but the Local Authority's local funding formulae still apply to distribute High Needs funding to Lancashire providers.

Department for Education announcements confirm that the basic structure of the High Needs National Funding Formula for 2024/25 is not changing. The High Needs National Funding Formula floor and gains cap have been set as follows for 2024/25:

- the funding floor is set at 3% so each local authority will see an increase of at least 3% per head of their 2 to 18 population (as estimated by the Office of National Statistics).
- the gains cap is set at 5%, allowing local authorities to see gains up to this percentage increase under the formula, again calculated on a per head basis of their 2 to 18 population.
- The hospital education factor will also be uplifted by 3.4%.

High needs funding is increasing by £440 million, or 4.3%, in 2024 to 2025, compared to the high needs funding allocations for 2023 to 2024. The total high needs budget for 2024 to 2025 will be £10.54 billion, the vast majority of which is allocated through the high needs NFF and will be included in local authorities' Dedicated Schools Grant allocations.

Early Years Block

Early Years Block funding is utilised for:

- Funding for the universal 15 hours entitlement for three- and four-year olds.
- Funding for the additional 15 hours entitlement for three- and four-year-old children of eligible working parents.
- Funding for the 15 hours entitlement for disadvantaged two-year olds.
- Funding for the Early Years Pupil Premium.
- Funding for the Disability Access Fund.
- Supplementary funding for Maintained Nursery Schools.

The Government introduced an Early Years National Funding Formula from April 2017. This arrangement introduced a formulaic mechanism for distributing early years funding from national Government to each local authority and set a framework that must be used to distribute funding to all types of early education provider, including nursery schools; nursery classes in maintained primary schools; Private, Voluntary, and Independent providers and Childminders. The Early Years National Funding Formula introduced a requirement to have a Universal Base Rate for all providers and set out the type and level of supplements that are available.

As detailed in the Chancellor's Spring 2023 Budget announcements earlier this year the early years funded entitlements are being expanded to enable working parents of younger children to access funded childcare as follows:



- From April 2024, eligible working parents of 2-year-olds can access 15 hours per week.
- From September 2024, eligible working parents of children aged 9 months up to 3-year-olds can access 15 hours per week.
- From September 2025, eligible working parents of children aged 9 months up to 3 years old can access 30 hours free childcare per week.

Central School Services Block

This Block is to fund central functions that local authorities carry out on behalf of pupils in state-funded maintained schools and academies in England. The Central School Services Block was first introduced in 2018/19, and effectively replaced the previous Education Services Grant allocations, but the levels of funding have reduced considerably over recent years.

The Central School Services Block allocation for local authorities is split into funding for historic commitments and funding for ongoing responsibilities.

The ongoing responsibilities element of funding is calculated by the Department for Education on a formulaic methodology based on pupil numbers and deprivation, plus an area cost adjustment. The historic commitments element of the Block funds certain ongoing obligations funded from the Dedicated Schools Grant.

The Department for Education have stated that they will continue to unwind the historic commitments funding to zero in future years.

Final Dedicated Schools Grant Allocation 2024/25

Details of Lancashire's final Dedicated Schools Grant allocations for 2024/25 for each funding block, and the expenditure proposals for each block are provided at Appendix 'A'. A summary of the key forum decision is provided at Appendix 'B'.



Final Dedicated Schools Grant allocations and pupil data for 2024/25 were published by the Department for Education on 19 December 2023.

Lancashire's Gross 2024/25 Dedicated Schools Grant allocation is £1,332.993m.

The equivalent Gross Dedicated Schools Grant income figure for 2023/24 was £1,214.241m. The 2024/25 Dedicated Schools Grant allocation has increased by £118.752m.

This increase in funding is due to:

- Lancashire's share of the increased £8m for the High Needs Block.
- Increased funding of £56.5m received due to the extended entitlements of 2 year olds and under two's within the Early Years Block.
- An increase in the overall numbers of pupils in Lancashire in the primary and secondary sectors compared to 2023/24.

The sections below provide further details of the Lancashire Dedicated Schools Grant allocations and presents the estimated Schools Budget for 2024/25.

DEDICATED SCHOOLS GRANT ALLOCATIONS 2024/25

The Department for Education sub-divide the Dedicated Schools Grant allocations into 4 funding blocks: Schools Block, High Needs Block, Early Years Block and the Central Schools Services Block. These Blocks are all calculated on a formulaic basis.

Information on the allocations for each of the funding blocks is provided below:

Schools Block allocation (£978.029m)

The Schools Block allocations for 2024/25 are derived on the basis of illustrative individual Schools National Funding Formula allocations calculated by the Government. These calculations translate into primary and secondary units of funding for 2024/25. These units of funding are multiplied by the number of primary and secondary pupils from the October 2023 census. A Local Authority level allocation for premises factors and growth funding are added to provide a final Schools Block allocation.

This provides a total Lancashire Schools Block allocation for 2024/25 of £978.029m.

The 2024/25 Schools Block allocation is over £51m higher than the equivalent figure in 2023/24. The increased allocation is in part due to Lancashire's share of the additional funding made available nationally by the Government, and a slight increase in the number of pupils across Lancashire primary and secondary schools in the October 2023 school census.



In 2023 to 2024 financial year, mainstream schools were allocated additional funding through the Mainstream School's Additional Grant. In 2024/25, this has been incorporated within the National Funding Formula.

These extra pupils generate additional Schools Block income but will also produce extra costs in the budget. The funding being allocated on deprivation factors has also increased and will place additional pressures in the Schools Block budget.

It should also be noted that the Department for Education has introduced changes to the payment process of schools business rates. From 2024/25, schools business rates will be paid by the Education and Skills Funding Agency to billing authorities directly on behalf of all state funded schools. For 2024/25, a rates allocation will continue to be included in the Department for Education's schools National Funding Formula but a deduction of £1.275m will be made from the Lancashire Schools Block cash allocation in 2024/25, to enable this central government payment to be made.

High Needs Block allocation (£202.146m)

The 2024/25 High Needs Block allocation is calculated under the Government's national High Needs funding formula. Key features of the formula include:

- A high needs funding floor and gains calculation.
- Basic entitlement factor (with area cost adjusted) for the number of pupils in special schools and academies.
- Import/export adjustment.
- Additional Funding for Special Free Schools.
- Hospital education, Alternative Provision teachers pay/pension and supplementary funding factor.

The formula provides a 2024/25 High Needs Block allocation for Lancashire of £202.146m.

This figure is over £8.75m higher than the equivalent 2023/24 allocation, due to increased funding for the High Needs Block made available by the Government.

In 2023 to 2024 financial year, the High Needs Block was allocated additional funding through the High Needs Supplementary Grant. In 2024/25, this has been incorporated within the National Funding Formula.

It should be noted that the High Needs Block allocation is a provisional allocation, and the gross total includes allocations attributable to funded places that will be deducted and made directly by the Education & Skills Funding Agency. These are estimated by Education & Skills Funding Agency to total circa £9.734m.

Early Years Block allocation (£143.990m)

Allocations for the Early Years Block include:

- funding for the universal 15 hours entitlement for three- and four year olds.



- funding for the additional 15 hours entitlement for three and four year old children of eligible working parents.
- funding for the 15 hours entitlement for disadvantaged two year olds.
- funding for the 15 hours entitlement for working families for two year olds.
- funding for 15 hours entitlement for under two year olds (from September 2024)
- funding for the Early Years Pupil Premium (EYPP) expanded to 2 year olds and under.
- funding for the Disability Access Fund (DAF) expanded to 2 year olds and under.
- supplementary funding for Maintained Nursery Schools (MNS).

Following the Spring 2023 Budget Announcement regarding £204m additional early years funding nationally. Lancashire received £4.75m to uplift early years rates from September 2023 to March 2024:

	April 2023 - March 2024	Additional Uplift September 2023 - March 2024	Revised September 2023 - March 2024
2YO	£5.63	£1.67	£7.30
34YO	£4.87	£0.33	£5.20
34YO MNS	£4.31	£0.24	£4.55
EYPP	£0.62	£0.04	£0.66
DAF (Lump Sum)	£828.00	£30.92	£858.92

Following the additional funding in 2023/24, Lancashire received a further increase in allocation in 2024/25 as follows:

- 3 and 4-year-old entitlements - £0.27 per hour uplift.
- 2-year-old entitlement - £0.24 per hour uplift (extended to working families).
- Supplementary funding for maintained nursery schools - £0.63 per hour uplift.
- Early Years Pupil Premium - £0.02 per hour uplift.
- Disability Access Fund - £51 per eligible child per year uplift.

These factors provide a total Early Years Block allocation for Lancashire for 2024/25 of £143,990m.

Lancashire's Early Years funding is significantly higher than the 2023/24 allocation, due to the extended entitlements.

It should be noted that the 2024/25 early years block allocations are initial, and based on Schools, Early Years and Alternative Provision censuses data from January 2023. These allocations will be updated based on January 2024 census data.

Central Schools Services Block (£8.830m)

The Central Schools Services Block is to fund central functions that Local Authority's carry out on behalf of pupils in state-funded maintained schools and academies in England.



The Central Schools Services Block is split into funding for historic commitments and funding for ongoing responsibilities.

The Historic Commitments element of the allocation has been increased by £1.75m due to additional protected funding for a PFI site.

The total Lancashire's Central Schools Services Block allocation for 2024/25 is £8.830m.

In Year Adjustments

The Dedicated Schools Grant allocation notified is prior to in-year adjustments for:

- Academies recoupment from the schools block;
- Deductions for high needs places in academies and non-maintained special schools;
- Post 16 places;
- Deduction for national copyright licences;
- Deduction for schools business rates
- Updates to the funding for three- and four-year olds;
- Updates to the funding two-year olds;
- Updates to the funding for under 2-year olds;
- Updates to the early years supplementary funding for maintained nursery school;
- Updates to the early years pupil premium;
- Updates to early years Disability Access Fund.

Forecast total Dedicated Schools Grant income for 2024/25

The Lancashire Dedicated Schools Grant (DSG) allocations for 2024/25 across the 4 funding blocks are shown below:

<u>Forecast DSG Income</u>	£m's
Schools Block	978.029
High Needs Block	202.146
Early Years Block	143.990
Central Schools Services Block	8.830
Gross Total forecast DSG Income	1,332.995
Total deduction for national schools non-domestic rates	-1.275
Total deductions for direct high needs payments made by the Education & Skills Funding Agency	-9.734
Net Total forecast DSG Income	1,321.986

SCHOOLS BUDGET 2024/25

The latest Individual School Budgets across all phases has been constructed using the final datasets made available from the Department for Education and our latest local Early Years and High Needs data.



This Schools Budget estimate has been calculated following discussions with the Schools Forum and where necessary, consultation with Lancashire schools.

Budget Summary

The table below summarises the budgets to be allocated from each of the Dedicated Schools Grant funding blocks;

Forecast DSG Expenditure	£m's
Schools Block	979.183
High Needs Block	202.146
Early Years Block	143.990
Central Schools Services Block	8.830
Total deduction for national schools non-domestic rates	-1.275
Total deductions for direct high needs payments made by the Education & Skills Funding Agency	-9.734
Total forecast DSG Expenditure	1,323.140

Further details about each block are provided below.

Schools Block (979.183m)

Following a consultation with schools and the Schools Forum as part of the 2018/19 Schools Budget setting cycle, it was agreed to use the Government's National Funding Formula methodology as the local Lancashire funding model.

The National Funding Formula methodology will continue to apply in 2024/25 for calculating allocations to Lancashire schools and will incorporate the changes to the formula introduced nationally that are set out in the main report.

As supported by responses from schools in a consultation held in the autumn term 2023, the Minimum Funding Guarantee has been included in the formula at +0.5% and there is no cap on funding gains.

A 2024/25 growth fund requirement, which is used to support Local Authority initiated school expansions, of £1.5m has been included for 2024/25. The balance of funding from the Growth Fund allocation received by Lancashire, equating to circa £2m, has been used as a contribution to Schools Block.

It should be noted however, due to pressures within the block, £1.154m of Dedicated Schools Grant Reserves is required to set the Schools Block budget.

The Schools Block expenditure for 2024/25 is therefore estimated in the table below:

Forecast Schools Block Expenditure	£m's
Primary	510.734
Secondary	465.478
All-Through	1.471



Budgeted Growth	1.500
Total	979.183
DSG Schools Block Income	-978.029
Proposed DSG Reserve contribution	-1.154

As mentioned earlier in the appendix, the Department for Education has introduced changes to the payment process of schools business rates. From 2022/23, schools business rates will be paid by the Education and Skills Funding Agency to billing authorities directly on behalf of all state funded schools. For 2024/25, a rates allocation will continue to be included in the Department for Education's schools National Funding Formula but a deduction of £1.275m will be made from the Lancashire Schools Block cash allocation in 2024/25, to enable this central government payment to be made.

High Needs Block (£202.146m)

The High Needs Block expenditure for 2024/25 is estimated in the table below:

	Place funding £m	Top-up funding £m
Delegated to Schools	39.920	99.481
FE Colleges		11.147
High Needs Block costs on a commissioned basis		41.312
Total deductions based on 24/25 for direct high needs payments made by the Education and Skills Funding Agency		9.734
Additional 24/25 High Needs places to be paid direct by Education and Skills Funding Agency		0.552
Total	39.920	162.226

Total Expenditure £ m **202.146**

Total Income £ m **202.146**

The total forecast High Needs Block expenditure in 2024/25 is £202.146m.

As a result of the 2022 Autumn statement announcement of extra schools funding, local authorities were required to pass on a proportion of the additional high needs funding that was included in the high needs block of their 2023 to 2024 Dedicated Schools Grant to: maintained special schools, special academies (and free schools), pupil referral units and AP academies (and free schools), including maintained and academy hospital schools. As the overall high needs funding increase is now included in the 2024 to 2025 high needs funding formula, the Dedicated Schools Grant conditions of grant for 2024 to 2025 requires local authorities to pass on the same level of additional funding to these schools. This totals £3.478m and is included within the top-up funding.



This forecast expenditure includes an estimate of the considerable cost and demand led pressures facing the block in 2024/25.

Proposals also build in a 2% increase to the level for the school specific factor rates in special schools and pupil referral units.

In addition, the Weighted Pupil Number values supporting all high needs pupils are proposed to increase by 2% in 2024/25. This level of increase is lower than the general 3% uplifts for the pupil-led factors in the Schools Block national funding formula. The cost and demand pressures within the high needs block only allows a 2% increase to be affordable from April 2024.

The circa £9.7m of deductions in the Dedicated Schools Grant notifications have been budgeted within HNB, as this relates to direct high needs payments made by the Education and Skills Funding Agency.

An extra £0.552m of deductions for 2024/25 has also been included, for additional high needs places that have now been commissioned by the county council at establishments that are directly paid by the Education and Skills Funding Agency.

Despite considerable pressure on the high need block funding envelope, a balanced budget position has been forecast for 2024/25. The county council needs to continue to work on initiatives that ensure that the best use is being made of the High Needs resources available and to minimise as far as possible the future years forecasted overspends.

However, there is concern that there could be increased strain on the High Needs Block budget from 2024/25 onwards, when initial announcements from the Government indicate circa 5% rises in funding per annum, but forecast cost and demand led pressures in the High Needs Block are estimated to remain at a level well above this. This could create significant pressure on the High Needs Block Budget and the overall Dedicated Schools Grant in the longer term.

Early Years Block (£143.990m)

Following the additional funding in 2023/24, Lancashire received a further increase in allocation in 2024/25 as follows:

- 3 and 4-year-old entitlements - £0.27 per hour uplift;
- 2-year-old entitlement - £0.24 per hour uplift (extended to working families);
- Supplementary funding for maintained nursery schools - £0.63 per hour uplift;
- Early Years Pupil Premium - £0.02 per hour uplift;
- Disability Access Fund - £51 per eligible child per year uplift.

3 and 4-year-old entitlements

Due the increased funding Lancashire has received, the Lancashire base rate for 3 and 4-year-old entitlements is £5.41 per hour in 2024/25, an increase of £0.33 per hour from 2023/24.



The 2024/25 funding rate is therefore as follows:

2023/24 Base rate	£5.08 per hour
2024/25 DfE uplift	£0.27 per hour
2024/25 Additional funding from within the Early Years Block	£0.06 per hour
2024/25 Base rate	£5.41 per hour

3- and 4-year-old Supplementary funding hourly rate for maintained nursery schools
Lancashire will receive a £0.63 increase in the supplementary funding hourly rate for maintained nursery schools in 2024/25, which will be passed to the maintained nursery schools, providing a revised hourly supplement rate of £5.18 per hour.

2-year-old entitlement

Following the Early Years 2024 25 funding announcements, the Early Years Working Group recommended that Lancashire adopts one single funding rate for 2-year-old entitlements, plus a deprivation supplement based on a similar mechanism that currently exists within the 3- and 4-year-old formula. Lancashire is to receive an additional £0.24 per hour for the 2-year-old entitlement for 2024/25.

This would give a Lancashire base rate for 2-year-olds of £7.10 per hour from April 2024, plus a deprivation supplement where necessary.

Under 2-year-old entitlement

From September 2024, the base rate will be set at £9.51, plus a deprivation supplement based on a similar mechanism that currently exists within the 3- and 4-year-old formula.

Early Years Pupil Premium

Lancashire will increase our early years pupil premium rate by 2p to 68p per hour, equivalent to up to £387 per eligible child per year, for 2024/25, in line with national announcements.

Disability Access Fund

Lancashire will increase the disability access fund by £29 to £910 per eligible child per year for 2022/23, in line with national announcements.

Special Educational Needs Inclusion Fund

Local authorities are now required to have a Special Educational Needs Inclusion Fund for all eligible 3 and 4-year-olds, 2-year-olds and under 2's (from September 2024) who are taking up the free entitlements, regardless of the number of hours taken. For 2024/25 the Lancashire fund will total £2.65m due to the increased demands and extended entitlements.



The Early Years Block expenditure for 2024/25 is therefore estimated in the table below:

Forecast EYB Expenditure	£m's
Early Years Block under 2-year-olds	16.539
Early Years Block 2-year-olds	37.649
Early Years Block 3 and 4-year-olds	79.422
Early Years Pupil Premium expenditure	1.812
Early Years Disability Access Fund expenditure	0.864
Nursery School Maintained Nursery School	5.054
Special Educational Needs Inclusion	2.650
Total	143.99

The total forecast Early Years Block expenditure in 2024/25 is some £143.99m.

Central Schools Services Block (£8.830m)

The estimated Central Schools Services Block expenditure in 2024/25 is £8.830m.

The Historic Commitments element of the allocation has been increased by £1.75m due to additional protected funding for a PFI site.

Careful consideration will be needed around the Central Schools Services Block in future years, as Department for Education implement further reductions in the Historic Commitments budget.

Calculation of the final 2024/25 funding position

	£m's
Total forecast DSG Income 2024/25	1,321.986
Total Forecast DSG Allocations 2024/25	1,323.140

These Schools Budget proposals forecast a balanced Dedicated Schools Grant funding position in 2024/25, subject to the planned use of £1.154m in Schools Budget reserves to mitigate pressures in the Schools Block budget.

