

Appendix 8

Schools Budget 2024/25

Introduction

- 1.1 In conjunction with the National Funding Formula (NFF) the Dedicated Schools Grant (DSG) funding is allocated over four blocks and the indicative Dedicated Schools Grant for 2024/25 totals £189.360m after deductions for national non-domestic rates and direct funding of high needs by Education & Skills Funding Agency (ESFA).
- 1.2 This budget has 4 elements - budgets delegated to individual schools (Schools Block), support to high needs pupils (High Needs Block), provision for early years expenditure (Early Years Block), and support for central services (Central Services Block).

Funding Allocations

- 1.3 The following table provides a summary of the amounts to be received in 2024/25 and a comparison to that received in 2023/24. It should be noted though that the above amounts are subject to change during the year as the Schools Block includes amounts which are passported directly to academies (known as recoupment), and also certain elements of the High Needs Block are paid directly to providers. No assumption has currently been made of any increases in DSG for 2025/26 and 2026/27.

Table 1 - Dedicated Schools Grant (DSG) after deductions 2024/25

DSG Block	2023/24 £m	2024/25 £m	Increase £m	Increase %
Schools Block	131.071	139.332	8.261	6.3
Central School Services Block	1.043	1.046	0.003	0.3
High Needs Block	29.978	31.045	1.067	3.6
Early Years Block	12.121	17.937	5.816	48.0
TOTAL DSG AFTER DEDUCTIONS	174.213	189.360	15.147	8.7

1.4 Schools Block

2024/25 DSG Schools Block allocation, after business rate deduction, is an increase of £8.261m (6.3%) compared with 2023/24. DSG Schools block funding is allocated based on the National Funding Formula (NFF), which is based on the October 23 census:

Table 2 – Pupil Numbers

	October 2023 census numbers	October 2022 census numbers	Difference
Primary	13,727	13,692	35
Secondary	8,710	8,566	144
Total	22,437	22,258	179

Funding for Schools budgets comprises:

- a) Dedicated Schools Grant (DSG) - this is the main funding stream allocated to schools by the LA;
- b) Pupil Premium Grant – this is distributed by the Council to maintained schools only. The allocation is set out by the (ESFA) with academies receiving this funding directly.

To note, the Mainstream Schools Additional Grant (MSAG) has been rolled into the above allocations for 2024/25.

The minimum funding guarantee (MFG) is in place at +0.25% ensuring schools have some protection where they are experiencing reducing school roll numbers. The formulation of the budget is also aligned with government guidance and the necessary approvals required from Schools Management Forum (SMF), which are public documents. SMF approved modelled option 2 on 17 January 2024. The Schools Budgets has been submitted for Middlesbrough schools on 22 January 2024 within the required deadline.

The standard approach followed by the Local Authority in setting the Schools Budget is to set budgets by block which mirror the DSG income received. However, for 2024/25 the Local Authority is responding to an improved offer for schools, aligned within the High Needs Block and requested transfer from the Schools Block.

Schools Block transfer to High Needs Block transfer (0.5%) £0.7m, was approved by SMF on 12 December 2023.

DSG allocation is updated throughout the year as pupil numbers are confirmed. During this process any unallocated balance is put to DSG Reserve, reported in the council balance sheet as “DSG unusable Reserves”. This is not currently a council liability. Any surplus in schools block, identified as Growth funding and agreed by SMF, is used to support the following (year(s) place planning and sufficiency across Middlesbrough schools.

1.5 **Central School Services Block (CSSB)**

The CSSB is made up of two categories, historic and ongoing commitments with funding totalling £1.067m for 2024/25 for Middlesbrough. This includes Teachers' Pension Employer Contribution (TPECG) funding for centrally employed teachers.

The grant has reduced the historic element by 20% when compared to 2023/24 by £30,400. The DfE have indicated that this element will reduce by 20% year on year and will be nil once the hard funding formula is implemented. Due to this overall, there is only a £22,200 increase from 2023/24.

The services funded can be found in SMF DSG CSSB report 2024/25 of 17 January 2024.

1.6 **High Needs Block**

For 2024/25 Middlesbrough indicative allocation is £31.045m. The indicative allocations are based on the latest mid-2023 ONS population estimate for Middlesbrough. The High Needs Block allocation for 2024/25 is finalised during 2024/25 taking into account the Spring 2024 pupil numbers and any other

deductions and recoupment. Middlesbrough are signed up to the Delivering Better Value (DBV) programme that invests £1m over an approximate 18-month period ending 31 March 2025.

Currently after deductions and recoupment the Council will receive DSG of £63.472m in 2023/24. The forecast expenditure is £70.116m, a forecast year-end overspend of £6.644m within 2023/24 as shown in **Table 3**.

Table 3 - Dedicated Schools Grant (DSG) after recoupment and deductions 2023/24

	2023/24 Income Forecast	2023/24 Expenditure Forecast	2023/24 Forecast Year-end Overspend	Balance as at 31/03/2023	Forecast Cumulative DSG Deficit as at 31/03/2024
	£m	£m	£m	£m	£m
Early years	12.121	12.121	0.000	(0.254)	(0.254)
Schools Block	20.330	20.330	0.000	(0.182)	(0.182)
High Needs	29.978	36.622	6.644	7.021	13.665
Central school services block	1.043	1.043	0.000	(0.021)	(0.021)
TOTAL	63.472	70.116	6.644	6.564	13.208

As shown in **Table 3** above there was a £6.564m total cumulative deficit on the DSG grant at the end of 2022/23, which included £7.021m attributed to the High Needs Block. The DSG deficit is predicted to increase during 2023/24 and it is currently forecast that there will be a total cumulative DSG deficit of £13.208m at 31 March 2024, including £13.665m relating to the High Needs Block which is partly offset by £0.457m of surplus forecast across the other blocks.

The pressure has been driven up by Education and Health Care Plans (EHCPs) increasing from 2022 to 2023 by over 27% (up from 1370 to 1743) and the service has faced the full year effect of this increase along with continued increasing numbers in the past 12 months, and increasing exclusions.

As part of the Delivering Better Value (DBV) work, it was identified that there would be a pressure in the current year. However, additional risks were highlighted as part of the DBV programme; specifically, that this may not be achieved without significant change regarding inclusion in mainstream schools. Inclusion within mainstream has remained a challenge, which has resulted in continued increased demand for specialist provision. These are over commissioned places which has resulted in financial pressure to provide place funding. Alongside this, there has also been an increase in rates from specialist providers across the board and significant increased pressure from rising permanent exclusions.

A range of management actions are being taken alongside the DBV programme these include initiatives such as :

- Work with health colleagues to identify health contributions where relevant
- On-going reviews of Education, Health and Care (EHC) assessments
- Training for staff and school staff to support children remaining in mainstream settings

- Reintegration of Excluded pupils to mainstream where possible
- Governance of High Needs budget
- Service review and modelling
- Review of Top-ups in line with Improvement Plan
- Reduce Exclusions
- Consider notional SEND budget and how this is used
- Linking school inspection in with SEND and Alternative Provision Improvement plan
- Review school reserves and examination of potential of implementing a policy (subject to SMF) for taking excess reserves back into High Needs where relevant and appropriate

The Dedicated Schools Grant (DSG) is subject to a statutory override by central Government which instructs Councils to account for the DSG deficits and resulting negative balance in a separate reserve and not to fund it by using its General Fund resources. This was planned to end on 31 March 2023, however Government has extended the arrangement to at least 31 March 2026. This is considered to be a potential major risk to the Council's financial resilience in the long term if the Government remove the statutory override before the deficit position is resolved – the current balance is £13.208m which would be required to be met from the General Fund resources. The position that Government takes on this national issue which presents significant financial risks for many local authorities, will be closely followed and updates will be provided as appropriate.

1.7 Early Years Block

The funding split of the indicative £17.937m for Early Years in 2024/25 is shown in **Table 4** below:

Table 4 – Indicative Early Years Block Funding 2024/25

Description	2024/25 (Provisional) £
3 & 4 Year Old Universal Entitlement	7,639,642
3 & 4 Year Old Additional 15 hours	2,483,949
2 Year Old Entitlement	3,595,798
Early Years Pupil Premium (EYPP)	357,894
Disabled Access Fund (DAF)	146,510
2YO Working Parent Entitlement	2,192,355
Under 2s Entitlement	1,520,861
Maintained Nursery Supplementary Funding	0
TOTAL	17,937,010

Note: This is a provisional allocation (based on January 2023 pupil numbers)

The required SMF noting of rates and the approval of Special Education Needs (SEN) and pass through rate for the Council was agreed on 17 January 2024.