

THE SCHOOLS BUDGET 2024/25

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|-----------------------------|---|
| Cabinet Member(s) | Councillor Susan O'Brien Councillor Martin Goddard |
| Cabinet Portfolio(s) | Cabinet Member for Children, Families & Education Cabinet Member for Finance |
| Officer Contact(s) | Sheilender Pathak (Finance) |
| Papers with report | Appendix A – Provisional 2024/25 Schools Block Funding to individual schools, with and without 0.75% block transfer |

HEADLINES

| | |
|---|---|
| Summary | The report seeks Cabinet's approval for the Schools budget for 2024/25 as required by the Department for Education (DFE). |
| Putting our Residents First Delivering on the Council Strategy 2022-2026 | This report supports our ambition for residents / the Council of: An efficient, well-run, digital-enabled council working with partners to deliver services to improve the lives of all our residents This report supports our commitments to residents of: Thriving, Healthy Households |
| Financial Cost | Funding for the Schools Budget is provided by the DFE through the Dedicated Schools Grant (DSG) and as such has no direct impact on the Council's budget requirement. |
| Relevant Select Committee | Children, Families & Education |
| Relevant Ward(s) | All |

RECOMMENDATIONS

That the Cabinet:

1. **Approve the Dedicated Schools Grant Income budgets for 2024/25.**
2. **Approve the Primary and Secondary schools block funding formula for 2024/25.**
3. **Note the Early Years Funding Formula allocation, for which a consultation with Early Years providers was launched on 22nd January 2024.**
4. **Note that the indicative budget for the High Needs block is set out in the Council's DSG Management Plan submission to the DfE and that the final 2024/25 income and expenditure budgets for the High Needs block will be dependent on the decisions taken by the DfE in relation to this DSG Management Plan submission.**
5. **Should any further Council approval regarding the Schools Budget 2024/25 be required, agree to delegate authority to the Cabinet Member for Finance and Cabinet Member for Children, Families & Education, in consultation with the Corporate Director of Finance, to determine under urgency provisions.**

Reasons for recommendation

1. Cabinet is the decision-making body for schools funding issues, and decisions are required on the arrangements to allow for the final School block budget and Early years budget funding allocations to be provided to schools by 29 February 2024.
2. The School and Early Years Finance (England) Regulations 2023 requires the Council to consult the Schools Forum on a range of financial matters prior to making decisions on them. On 17th January 2024 the Council consulted the Schools Forum on the 2024/25 Schools block and Early year funding allocations.
3. The DfE issued the allocated funding for each block of the DSG for Hillingdon for 2024/25 on 19th December 2023 with the DSG Conditions of Grant document.
4. This report now asks Cabinet to agree the recommendations following these consultations with School Forum and provide relevant delegated authority to be able set the 2024/25 DSG budgets within the required time frames.

Alternative options considered / risk management

5. Cabinet could decide to recommend that the Schools Forum reconsider the proposed Primary and Secondary schools funding formula and the Early Years Funding Formula.
6. The recommended Schools Budget 2024/25 contains a contingency for in year growth for expanding schools.

7. The recommended Schools Budget no longer contains a general reserve to cover unforeseen costs and does not provide surplus resources to offset the cumulative deficit accruing on the DSG blocks.

Democratic compliance / previous authority

8. Cabinet approval is required to agree the schools budget.

Select Committee comments

9. None at this stage. However, the Children, Families & Education Select Committee have been briefed on the Schools Budget as part of the 2024/25 budget process.

SUPPORTING INFORMATION

1. Dedicated Schools Grant Funding Allocations 2024/25

- 1.1 The Education and Skills Funding Agency (ESFA) published the 2024/25 initial authority level DSG allocations for the schools, central school services, early years, and high needs blocks on 19 December 2023.
- 1.2 Table 1 sets out the published baseline DSG funding for 2024/25, compared to the 2023/24 DSG allocation updated in November 2023.

Table 1: DSG Funding Allocations for 2024/25

| | DSG Funding | DSG Funding | Change in Funding | % change |
|-------------------------|--------------------|--------------------|-------------------|-------------|
| Funding Block | 2023/24 | 2024/25 | | |
| Schools | 276,403,806 | 280,971,388 | 4,567,582 | 1.7% |
| High Needs | 62,529,770 | 65,760,038 | 3,230,268 | 5.2% |
| Central Services | 2,480,893 | 2,429,443 | (51,450) | -2.1% |
| Early Years | 26,014,453 | 36,829,223 | 10,814,770 | 41.6% |
| Total DSG Budget | 367,428,922 | 385,990,092 | 18,561,170 | 5.1% |

- 1.3 Cabinet are asked to approve the Dedicated Schools Grant Income budgets for 2024/25 to match the 2024/25 DSG Funding allocations announced by the ESFA, as set out in Table 1 above.

2. **Schools Block and additional Pay and Pensions Grants**

- 2.1 The final allocation of Hillingdon's 2024/25 Schools Block DSG is £281.0m before recoupment and including the 2023/24 Mainstream Schools Additional Grant (MSAG) of £9.025m, which has been rolled into the schools block national funding formula (NFF) for 2024/25. This compares to £276.4m in 2023/24 (including the 2023/24 MSAG). This represents a £4.6m (1.7%) increase in Hillingdon's Schools Block allocation and a 1.6% increase in per pupil funding between 2023/24 and 2024/25, before recoupment for academy and free school provision. Nationally the percentage increase in Schools Block funding is 2.2% and the per pupil increase is 2.0%.
- 2.2 There will be a separate pay grant for teachers' pay (TPAG) in 2024 to 2025. This is over and above the funding schools will receive via the NFF from within the December 2023 DSG allocations. The DfE aim to publish school level allocations showing the total funding allocated for the 2024 to 2025 financial year and the conditions of grant in April 2024, but provisional figures indicate this could equate to a 1.7% increase in the per pupil funding for 2024/25.
- 2.3 Schools will also receive further funding to support with increases to employer contribution rates to the Teachers' Pensions Scheme from April 2024. This is over and above the funding they will receive via the NFF from within the December 2023 DSG allocations. The DfE will announce further details on this funding for pensions, including funding rates and allocations, in due course.

3. **2024/25 Primary and Secondary Schools Block funding formula**

- 3.1 The principles of the Hillingdon schools local funding formula for 2024/25 were agreed by Schools Forum on 6 December 2023, in line with the Councils recommendations. Feedback from the October consultation with all mainstream schools on this matter also showed that schools were in favour of these principles.
- 3.2 The 2024/25 local schools funding formula principles agreed by Schools Forum on 6 December 2023 are:
- (i) the funding factors in the local Hillingdon schools funding formula will move 10% closer to the factor values in the NFF, with the AWPU rate being set at the highest rate that can be funded (i.e. if there is a balance remaining in the Schools Block following application of the NFF factor values that will be distributed by adjusting the AWPU).
 - (ii) the Minimum Funding Guarantee will be set at the highest rate that can be funded within the 0% and +0.5%. This means each school will receive a minimum increase in their per pupil funding of 0.5% based on the funding factors that are impacted by the MFG (i.e. AWPU, deprivation factors, EAL, mobility and prior attainment).
 - (iii) The formula will retain the funding ratio per pupil of Primary to Secondary sector as 1 to 1.32

3.3 Cabinet are asked to approve the Primary and Secondary schools block funding formula as set out in section 3 of this report and as preferred by Schools Forum on 6 December 2023.

4. **Schools Growth Fund**

4.1 Growth funding is within local authorities' schools block DSG allocations.

4.2 Local authorities may operate a Growth Fund which can be used to:

- Support growth in pre 16 numbers to meet their basic need
- Support additional classes to meet the infant class sizes regulations
- Meet the cost of new schools including the lead in costs and post start up and diseconomy of scale costs.

4.3 The Growth Fund represents a top slice against the Schools Block. It is held by the Council and paid out to eligible schools once the pupil numbers for the 2024/25 academic year are confirmed by the Autumn 2024 census.

4.4 Growth Funds cannot be used to support schools in financial difficulty or support general growth due to popularity (which is to be managed through lagged funding).

4.5 For 2024/25, the DfE has amended Growth Fund Schools Block funding as well as allocation criteria. The DfE has also introduced some new mandatory requirements. The DfE has confirmed that Growth Funds will continue to be managed locally under the 'hard' NFF framework and that changes to these mechanisms, to improve their value and the consistency of approach between local authorities, will be made gradually. We expect more changes to come in 2025/26. The way that Growth Fund funding is allocated by the DfE to local authorities has not changed.

4.6 A review of the Growth Fund Contingency requirement, which provides funding for expanding schools and funding for significant in-year growth, estimates that the budget in 2024/25 should be £854k, a decrease of £355k from the previous year. The calculations include 1 growing Primary School, 1 Growing Secondary school and contingency for funding of year 6 pupil classes over pan in Secondary schools etc.

4.7 The growth funding allocated through the funding formula for 2024/25 is £1,219k which is sufficient to cover the growth requirement due to an overall increase in Pupil number of 221 in Hillingdon and is a decrease from 2023/24 of £431k.

4.8 The level of growth fund allocated within the schools block each year is decided by School Schools Forum. On 17 January 2024 Schools Forum approved a 2024/25 budget for growth of £1.219m.

5. 2024/25 Transfer of Funds from Schools Block to High Needs Block

- 5.1 The Schools Block will continue to be ring-fenced in 2024/25, however, local authorities will be able to transfer up to 0.5% of their school's block funding to address funding pressures in other areas with agreement of Schools Forum. A disapplication will continue to be required for transfers above 0.5%, or for any amount without Schools Forum approval. The Council had included a 0.75% block transfer as part of the DSG Safety Valve agreement. The value of this transfer request from the schools block to the High needs block is £2.098m.
- 5.2 On 6 December 2023, the Schools Forum rejected the request to transfer this funding from the schools block budget to the High needs block. The decision to reject the transfer between blocks could have had an impact on the DSG deficit and potentially affect the DSG Safety Valve agreement adversely. The Council therefore submitted a disapplication request to the DfE on 20th December 2023 alongside a revised Safety Valve agreement. The DfE have now approved this block transfer of 0.75%.
- 5.3 The draft 2024/25 schools block funding allocations for each school are set out in Appendix A, along with the indicative impact of the block transfer on each schools funding. These will be finalised once the ESFA have completed their validation checks on the budget proforma submission template (the APT).

1. Proposals for de-delegation of school budgets

- 6.1 On 17 January 2024 maintained school representatives of Schools Forum were asked to agree the Council's proposals to charge maintained schools budgets for 2024/25 for contribute towards:
- the cost of statutory General Education Duties carried out by the Council on behalf of it's maintained schools
 - a proposed contingency fund to assist maintained schools in financial difficulty (as set out in section 10.1 of this report).
- 6.2 Both of these proposals were rejected by the maintained school representatives. The Council has since applied to the DfE for a disapplication to allow the Council to charge maintained schools for the statutory General Education Duties it carries out for them. The Council awaits a decision from the DfE on this.
- 6.3 It should be noted that the individual school allocations shown at Appendix A are prior to the de-delegation of any maintained schools budgets, so the DfE's decision will have no effect on the allocations listed at Appendix A or on the schools funding formula.

2. High Needs budget 2024/25

- 7.1 Details on the High Needs budget will be presented at the next Schools Forum meeting, once the DfE have provided feedback and outcomes in relation to the Councils DSG management plan submission which was submitted as part of the DfE's Safety Valve programme.

3. Central Schools Services Block (CSSB) Budget 2024/25

- 8.1 Council Officers are reviewing the allocations of these spend budgets to ensure the 2024/25 allocations are updated appropriately to reflect the use of the grant. Officer will go through the appropriate approval to agree the proposed allocation once the review exercise has been completed.

4. Early Years Block Allocation in 2024/25

- 9.1 The DfE has extended the number of free childcare offers available to working parents in 2024/25. There will be new working parent entitlements introduced for 2-year-olds and children aged 9 months to 2 years during the year. The 2-year-olds offer will be for a maximum of 15 hours per week from 1st April 2024 and the under 2-year-olds offer for a maximum of 15 hours per week from 1st September 2024. It is intended that these offers will be extended further in 2025/26 to a maximum of 30 hours per week.
- 9.2 Local authorities are required to set a local formula for both the 2-year-old offers and the under 2s offer in the same way as it has for 3- and 4-year-olds over the past 6 years.
- 9.3 Eligibility for EYPP (Early Years Pupil Premium) and DAF (Disability Access Fund) has also been extended to the new offers.

10. Early Years 2024/25 DSG Funding to the Council

- 10.1 There are now several funding streams in the Early Years Block of the DSG, as set out below. The following funding streams are subject to a pass through rate which requires at least 95% of the funding to be passed on to providers:
- 3 and 4 year-olds (YO), which constitutes the bulk of the funding
 - Disadvantaged 2 YOs
 - Working Parent 2 YO (a new funding stream)
 - Working Parent 9 months to 2 years (a new funding stream)
- 10.2 Summary explanations of each funding stream, including the funding rates used by the DfE to calculate each funding stream to the Council applicable in 2024/25 are set out below:

Universal entitlement for 3- & 4-YO – 15 hours free childcare for all 3- and 4-YO available for a maximum of 38 weeks per year. Funding will be received by Hillingdon at £6.61 per hour in 2024/25. This is a £0.21 per hour increase or 3.3% increase on the final 2023/24 funded rates at £6.40 per hour inclusive of Teachers Pay and Pension Allowance of £0.17 per hour.

Additional entitlement working parents 3- & 4-YO – additional 15 hours free childcare for eligible 3- and 4- YO from the term after their 3rd birthday for a maximum of 38 weeks per year. Parents are required to obtain a 30-hour code. Funding will be received by Hillingdon at £6.61 per hour in 2024/25 financial year.

Disadvantaged 2-YO – 15 hours free childcare for eligible 2-YO from the term after their 2nd birthday for a maximum of 38 weeks per year. Funding received is £9.51 per hour. This is a £0.41 per hour increase in funding or circa 4.5% versus final 2023/24 rate of £9.10 per hour.

Working Parent 2-YO – this is a new offer of 15 hours free childcare for eligible 2-YO from the term after their 2nd birthday for a maximum of 38 weeks per year. Funding received is £9.51 per hour in line with the Disadvantaged 2-year-old offer.

Working Parent 9 months to 2-YO – this is a new offer of 15 hours free childcare for eligible children from the term after they are 9 months for a maximum of 38 weeks per year. This offer will be introduced in September 2024 so the maximum number of weeks available in 2024/25 is 22 rather than 38. Funding received is £12.95 per hour which reflects the higher level of staffing required for this cohort.

Early Years (EY) Pupil Premium – additional funding for disadvantaged children has been extended to all the Early Years offers detailed above. It will be paid as a top up of £0.68 per hour up to a maximum of £378.60 per year (38 weeks). Eligibility relates to benefits received by the family and must be confirmed by the provider and recorded on the termly head count.

Disability Access Fund – additional per pupil funding for those receiving DLA to access all EY entitlements. This was previously for 3 and 4 YO only and has been extended to all Early Years offers from 1st April 2024. Funding has increased to £910 per eligible pupil per annum. (2023/24 £828)

Maintained Nursery School Supplementary Funding – this additional funding for maintained nurseries was initiated as part of the move to the NFF (National Funding Formula) to provide funding protection with respect to historic duties to 3 and 4YO. An estimated initial allocation of £374,131 in 2024/25 is based on the January 2023 census for 3 and 4YO accessing the universal entitlement. This figure includes the allowance for MNS share of Teachers Pay and Pension Grant. This allocation is subject to change depending on actual participation and will be adjusted accordingly in July 2024 and finally in July 2025 as a result of the January 2025 census.

10.3 Table 1 below shows the initial Early Years funding allocations to the Council announced by the DfE in December 2023, for the 2024/25 financial year. These are based on January 2023 census figures and DfE estimated activity for new offers and updated

funding rates for 2024/25. The total Early Years DSG initial allocation for 2024/25 is £36,829,223.

Table 1: Breakdown of Initial Early Years Funding Allocations 2024/25 (January 2023 headcount and DfE estimates)

| Early Years Funding Allocations published in Dec 2023 | 2024/25 |
|--|-------------------|
| Funding (Universal) | 18,442,704 |
| Funding (Additional) | 5,891,553 |
| Funding (2YO) Universal) | 2,901,430 |
| Funding (2YO)-Additional | 5,176,552 |
| Funding (U2YO) | 3,571,465 |
| Funding (MNS) Maintained Nursery Supplementary | 374,131 |
| Funding (DAF) Disability Access Fund | 153,790 |
| Funding (DAF 2YO) | 40,950 |
| Funding (DAF U2YO) | 11,830 |
| Funding (EYPP) Pupil Premium | 167,246 |
| Funding (EYPP 2YO) | 92,924 |
| Funding (EYPP U2YO) | 4,648 |
| Total Funding | 36,829,223 |

- 10.4 DfE funding for Early Years is normally based solely on the Spring term headcount i.e., January. For the new offers there will be a termly headcount in 2024/25 to ensure that local authorities are funded for actual take up. The DfE Element recognises that their estimates may not be accurate and does not want to disadvantage authorities where take up is higher than expected.
- 10.5 The initial allocation detailed above uses the January 2023 headcount and DfE estimates for new offers. This will be revised in July 2024 to take account of the January 2024 census and again in July 2025 to take account of the January 2025 census. The DfE may continue to require termly head counts for the new offers until they have bedded in.
- 10.6 It should also be noted here that the DfE intends to extend the new offers to working parents to 30 hours per week in future years so we will continue see big changes in these allocations for the foreseeable future. This means that the final allocations for the 3 and 4 YO offer in the financial year 2024/25 (April 2024 to March 2025) and Disadvantaged 2YO offers will be based on (five-twelfths January 2024 PTE census

numbers) + (seven-twelfths January 2025 PTE census numbers), whilst the new offers will be based on actual termly head counts for 2024/25 as a minimum (DfE is yet to decide on post 2024/25 requirements).

10.7 There are always risks associated with the Early Years budget due to the link with activity measured in the Spring terms of 2 financial years. This is one reason the proposed budget holds a contingency amount.

11. Key Elements of the Proposed Budget Model and hourly rates for 2024/25

11.1 All providers, both schools, private & voluntary nursery providers and childminders to be funded according to the DfE regulations and these are highlighted below.

11.2 The basis of the 3 and 4 YO offer remains unchanged since it was introduced in April 2017. The requirements are listed below:

- Set a single funding rate (including the same base rate and supplements) for both entitlements for 3 and 4YO.
- Must pass at least 95% of funding received to providers.
- Must use a universal base rate for all types of providers including maintained nursery schools.
- Must use a deprivation supplement in their local 3 and 4YO formula based on IDACI bandings for individual children.
- Must not channel more than 12% of funding to providers as supplements (in Hillingdon supplements are budgeted for Deprivation and Additional Needs).
- Must provide a SEN Inclusion Fund for 3 and 4YO.

11.3 There is a new national funding formula (NFF) which covers the existing 2 YO entitlement for disadvantaged children, new working parent entitlements for 2 YO and children aged 9 months to 2 years. The requirements for these offers are listed below:

- Requirement to have a disadvantaged 2 YO rate that is at least equal to the working parent 2 YO rate.
- Must pass at least 95% of funding received for these 3 offers to providers. Must provide a SEN Inclusion Fund for under 2s and both 2-year-old offers.
- May use supplements to target funding up to a maximum of 12% of the total hourly rate paid to providers NB This is not mandatory.

11.4 Universal base rates proposed from April 2024 for 3 and 4 YO is **£6.29 per hour**. This is an increase of 27 pence per hour on the April 2023 rate (**4.5% increase**).

11.5 The rate proposed from April 2024 for 2 Year olds is **£9.03 per hour**. This is an increase of £2.16 per hour on the April 2023 rate (**31.4% increase**).

11.6 The proposed rate for the new Under 2 Year Olds offer is £12.30 per hour.

- 11.7 All local authorities were required to establish SEN inclusion funds for 3- & 4-year-olds in their local funding systems from April 2017. This now has been extended for **all new offers** in 2024/25. The SEND Advisory service work with early years providers to determine how best this funding is distributed with the focus on children with lower level or emerging SEN. It is proposed that the £200k allocated to the SEN inclusion fund in 2023/24 is increased in 2024/25 (pending the consultation) and that this is taken from the Early Years Block. The SEN inclusion funding will be included in the 95% pass through to providers and therefore does not count in the 5% that local authorities can centrally retain in 2023/24.
- 11.8 The proposed budget model for 2024/25 assumes a budget for central services of £1.799m which is equivalent to the 5% of centrally retained budget allowed across the entitlements under regulations. The proposed allocation of the central items is detailed in Table 2 below.

Table 2: proposed allocation of the 5% centrally retained budget

| Centrally Retained 2024-25 | |
|--|------------------|
| Core Childcare & Early Years (FIS) | 397,000 |
| Early Years Advisory Teachers | 335,000 |
| Early Support Team | 259,000 |
| Provision for Vulnerable Children Placements | 208,000 |
| Early Years Overheads | 280,000 |
| Contingency | 320,185 |
| Total Centrally Retained | 1,799,185 |

12. Feedback from Schools Forum and the Early Years Sub Group

- 12.1 The Early Years Sub Group met on 16 January 2024 and following several hours of discussion agreed the proposed hourly rates and principles for the Early Years funding formula funding for under 2s, 2YOs and 3 and 4 YOs as set out in this report. The proposals meet all the criteria listed out in the regulations.
- 12.2 The proposed funding formula principles and hourly rates were then shared at the Schools Forum Meeting on the 17th of January 2024 and forum members supported these and agreed that these should go out to consultation with Early Years providers.
- 12.3 Following the Schools Forum meeting on 17th January 2024 the Council launched a Budget Consultation with Maintained Nursery Schools, Primary Schools with Nurseries, PVI providers and Childminders on the proposals agreed by the Early Years Sub Group and Schools Forum.

13. Next Steps for the Early Years Block 2024/25 Budget Setting

- 13.1. Cabinet are asked to note the Early Years Funding Formula allocation as highlighted in this report, and for which the consultation with Early Years providers was launched on 22nd January 2024.
- 13.2. The Early Years Sub Group will meet in early February to discuss the feedback from the consultation and then propose a final Early Years Budget and hourly rates for the Council to approve through delegated authority.
- 13.3. The Cabinet Member for Finance and Cabinet Member for Children, Families & Education, in consultation with the Corporate Director of Finance, will approve the final 2024/25 Early Years and Budget and funding formula, under delegated authority to determine under urgency provisions, ideally by the end of February 2024.
- 13.4. Early Years providers will be given estimates of summer term funding before 31st March 2024.
- 13.5. The final approved 2024/25 Early Years and Budget and funding formula, will be presented to March 2024 Schools Forum.

Financial Implications

This is a financial report dealing with funding issues affecting schools. The financial impact on Schools Delegated Funding, is that schools will see an increase in per pupil funding when compared with 2024/25 following an increase in the Schools Block funding. It should be noted that school budgets are protected by the Minimum Funding Guarantee level of +0.5% of per pupil funding.

The proposals contained within this report do not affect the General Fund proposals that are considered elsewhere on this agenda, as the School Budget is funded from the ring-fenced Dedicated Schools Grant.

RESIDENT BENEFIT & CONSULTATION

The benefit or impact upon Hillingdon residents, service users and communities?

The approval of the recommendations as set out in this report will enable the distribution and confirmation of the funding arrangements for schools for 2023/24, including the final individual school budget shares, which must be distributed to schools on or before 28 February 2023.

Consultation carried out or required

The Council is required to consult with the Schools Forum on any changes to the school funding formula and the Early Years Single Funding Formula as prescribed in the Schools Forums

(England) Regulations. The Schools Forum has a limited range of decision-making powers with regards to school funding. In most aspects the Schools Forum role is to advise the Council on decisions that rest with Cabinet, such as the school budget.

The main role of the Schools Forum is to be consulted on proposed changes to funding arrangements, including any changes to the school block funding formula on which the council now has little flexibility as the DFE move towards a Hard National Funding model.

CORPORATE CONSIDERATIONS

Corporate Finance

Corporate Finance has reviewed this report and confirms that budget proposals for the 2024/25 schools budget are consistent with the Council's wider budget plans also being presented to Cabinet on this agenda. As the statutory override remains in place during the 2024/25 financial year, there are no direct implications for the Council's General Fund from the cumulative deficit beyond servicing the deficit, the costs of which are factored into projections for borrowing costs detailed in the main budget report. The indications are that this override will be extended beyond 2024/25 as the Department for Education continue to work with local authorities across the country to eliminate deficits.

Legal

Legal Services confirms that this budget has been set in accordance with the Schools and Early Years Finance (England) Regulations 2023.

BACKGROUND PAPERS

NIL