

Agenda Item 4

Title: DSG Update and Schools Block

Date: 10th October 2024

Report to: Schools Forum

Report for: Information x Decision Consultation Action

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1. Background

This report provides an update on the DSG for 2024/25. It also sets out the position of the intentions for 2025/26 noting that the funding settlements are still to be announced.

2. DSG 2024/25

- 2.1 The ESFA refreshed the 2024/25 DSG to take account of January 2024 early years census as well as high needs changes. There has been a net decrease of £1.419 in 2024/25 DSG funding as a result. The differences are explained in **Table 1** below.

Table 1: Changes to the previously reported DSG Funding 2024/25

Block	DSG 2024/25 (At March 2024 Allocation) £'000	DSG 2024/25 (Updated July 2024) £'000	Difference £'000	Comment
Schools Block	-232,023	-232,023	0	No change.
Central School Services Block	-1,322	-1,322	0	No change.
Early Years Block	-37,365	-36,300	1,065	Net reduction based on falling pupil numbers
High Needs Block	-67,434	-67,080	354	Decrease due to updated Import/ export adjustment.
Total	-338,144	-336,725	1,419	

- 2.2 There is a decrease of £1.065m in the Early Years Block as it has now been updated with the January 2024 census, rather than the January 2023 census used for the previous allocation. This will continue to be a risk as, although there has been an expansion of the EY block settlement overall, the falling pupil numbers will continue to show a reduction in allocations from initial projections due to the lag in data.
- 2.3 There is an decrease of £0.354m in the High Needs Block due to updated import and export adjustment (based on January 2024 school census and February R06 2023/24 individualised learner record). The finance team is continuing to review this process as we currently need to identify all imports in special schools to ensure there is not a net disadvantage for funding recoupment.

- 2.4 **Table 2** sets out the current summary forecast position for each block for 2024-25. Explanations about the position in each of the four blocks and the associated risks then follow.

Table 2: Summary forecast spend against funding by DSG block 2024/25 (Period 6)

Block	2023/24 b/f balances £'000	DSG Funding / Budget 2024/25 £'000	Forecast net LA spend 2023/24 (P06) £'000	In-year variance £'000	2024-25 Forecast c/f balances £'000
Schools Block (not NNDR)	-919	-150,998	148,307	-2,691	-3,610
Central School Services Block		-1,322	1,322	0	0
Early Years Block	-1,135	-36,300	36,300	0	-1,135
High Needs Block	-5,636	-62,759	65,600	2,841	-2,795
De-delegated budgets	-44	0	44	44	0
DSG managed by LA	-7,734	-251,379	251,573	194	-7,540
Deductions for ESFA payments to billing authorities for NNDR	0	-4,492	4,492	0	0
Schools Block recoupment by ESFA	0	-76,532	76,532	0	0
High Needs Block recoupment by ESFA	0	-4,326	4,326	0	0
DSG held or recouped by ESFA	0	-85,350	85,350	0	0
Total Lambeth DSG	-7,734	-336,729	336,923	194	-7,540

- 2.5 **Schools Block.** The funding for the Schools Block has been allocated in accordance with the Authority Proforma Tool (APT) exercise on the mainstream schools funding formula in January 2024. The DSG position has been accounted for in gross terms, but the LA only disburses funds directly to maintained schools; the ESFA deducts (recoups) funding from the DSG to provide funding for academies and sixth form High Needs provision more directly.
- 2.6 The Falling Pupil roll fund of £2.61m allocated for 2024-25 in the expectation this would be distributed through analysis of the SCAP data to fall in line with the mandatory criteria. This will not be distributed in year, but is currently being reviewed via disapplication requests for 2024-25 or 2025-26 to earmark funds to distribute back within the DSG formula funding.
- 2.7 **Central School Services Block.** There is no expected variance in this block. Spending on Central School Services Block items such as Admissions, School Licenses, Schools Forum, Education Functions and Statutory Responsibilities is contained within the available funding.
- 2.8 **Early Years Block.** There is no expected variance in this block. The brought forward underspend of £1.135m continues to be earmarked for contingency fund and is expected to support any large fluctuations in pupil number reductions in summer term of 2024-25. It is important to note that this block is allocated on the January census of the previous year. This therefore means that when the Early Years team plan for delivery within the 5% retention allowed, there is a risk throughout the year that reductions in pupil numbers impact the initial budget plans.
- 2.9 **High Needs Block.** The plan was to use £2.8m of reserve to support SEND inclusion work across the service. It is currently supporting the Exceptional Needs Grant and onboarding

Area SENCOs / Family support workers. The current projections for this block is breakeven, but as in previous years the lag in analysis and data sometimes shows large decreases in spend by Q3. Once all of the October Census data is refreshed and inflationary provisions are removed from the forecast, the position will be clearer expected for the December forum.

- 2.10 **De-delegated Budgets.** The Vulnerable Schools Fund is no longer being topped-up with DSG funding, and the carry forward will be fully spent in 2024-25. As part of the School's Block subgroup there will be a review of all de-delegated items and if this fund is required to be reestablished for future schools' support.
- 2.11 **Overall.** The DSG brought forward a surplus of £7.7m into 2024-25 and is anticipated to continue into 2025-26. Depending on the process for disapplication to use the £2.6m falling pupil rolls fund on 2024-25 funding, it may reduce to £5.1m. If this process is not agreed, the LA will explore options to distribute it in 2025-26.

3. DSG 2025-26

- 3.1 The Education and Skills Funding Agency (ESFA) confirmed in July 2024 that due to the timing of the general election, the department would not be in a position to publish indicative schools and high needs national funding formula (NFF) allocations for 2025 to 2026 to the usual timescales in July.
- 3.2 This is because across government, budgets for 2025 to 2026 are still to be agreed including the 2025 to 2026 schools' budget. The ESFA confirmed as part of this update that the annual cycle will differ from previous years and the new timescales will be confirmed following decisions on the core schools budget settlement for 2025 to 2026.
- 3.3 The LA are awaiting further confirmation on the new timescales and operational guides outlining the funding arrangements moving forward. In light of this for Lambeth, the same methodology used in previous years will therefore be applied in 2025/26 wherever possible to calculate a draft school and DSG budget. This approach assumes no significant changes and will be subject to affordability and the final announcement.
- 3.4 The key areas for Schools Block to note are that:
- The National Funding Formula (NFF) rates will be applied to all formula factors in the Lambeth schools' formula.
 - The Basic Entitlement rate will be adjusted to address any affordability gaps, where necessary.
 - Minimum Funding Guarantee – the MFG will be set at the lowest permitted level assumed at 0.5%.
 - Notional SEN budgets – will be calculated on the same basis as 2024/25.
 - De-delegated services – as outlined in the separate paper.
 - CSSB budgets – proposals as outlined in separate paper subject to confirmation of the 2025/26 school funding arrangements.
 - DSG block transfers – proposals to continue to transfer 0.5% funding from the school's block to the high needs block will be considered at a future meeting, subject to confirmation of the 2025/26 school funding arrangements.
 - Split site funding – the NFF approach and unit rates for basic eligibility funding and distance funding will be applied.

- A consideration to disapplication request regarding an exceptional needs factor will be reviewed to re distribute Schools block underspend in 2024-25 to all schools in 2025-26.

- 3.5 For the High Needs block, the national funding formula will allocate support for all the commitments in the delivery of the SEND strategy. The intention will be to continue to transfer 0.5% to the HNB from School's block or explore a disapplication to increase allocation for Exceptional Needs Grant. Growth will be allocated to supporting demand-led delivery to high needs placements and provision in line with 2024-25 budget plans.
- 3.6 For Early Years Block – these budget rates are normally agreed in January forum and will be updated as part of a subgroup and consultation on funding for the sector.
- 3.7 Schools forum should note that the delay in announcement has created higher risk timescales for calculating the draft school budget allocations and finalising the APT. This is always a challenge, but there is additional capacity pressure in the absence of an indicative funding allocation, which would have previously been announced in the summer together with the regulations and guidance.

4. Recommendations.

- 4.1 **This is an information item and Schools Forum is invited to note and comment on the contents.**