

Cabinet

Date: **Monday 29 January 2024**

Time: **10 am**

Venue: **Council Chamber, County Hall, Martineau Lane, Norwich NR1 2DH**

SUPPLEMENTARY A g e n d a

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9 Dedicated Schools Grant (DSG) Funding

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A report by the Executive Director of Children's Services

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Cabinet

Item No: 9

Report Title: Dedicated Schools Grant (DSG) Funding

Date of Meeting: 29 January 2024

Responsible Cabinet Member: Cllr Penny Carpenter (Cabinet Member for Children's Services)

Responsible Director: Sara Tough, Executive Director of Children's Services

Is this a Key Decision? Yes

If this is a Key Decision, date added to the Forward Plan of Key Decisions: 20/12/2023.

Executive Summary / Introduction from Cabinet Member

This paper presents the changes to the distribution for the Dedicated Schools Grant from April 2024 in line with the Department of Education's (DfE) National Funding Formula (NFF) arrangements.

This includes the funding distribution formula that delegates the funding into maintained schools and academies, who are responsible for using this to ensure the educational outcomes for their children, and early years providers for funded places for parental entitlements.

Schools funding, both locally maintained and academies, is provided primarily through the Dedicated Schools Grant (DSG). This ring-fenced funding is allocated to local authorities who then have the responsibility to delegate this funding to schools in accordance with the agreed formula allocation.

Currently, it is each Local Authority's responsibility to determine individual school budgets according to local formulae, following local consultation with schools, within statutorily set timescales to enable schools to plan accordingly for the next financial year. To enable the timescales to be met by the County Council, Cabinet needs to agree the principles of Norfolk's local formulae.

In summary, the key proposals in relation to the mainstream schools' distribution formula are:

- Allocate the Schools Block funding via the National Funding Formula unit values (in line with the 2024-25 arrangements)

- A one-off movement of 0.5% from the Schools Block to the High Needs Block, due to the scale of demand for high needs specialist places for pupils, as agreed by Norfolk's Schools Forum
- An additional one-off movement of 1% from the Schools Block to the High Needs Block, due to the scale of demand for high needs specialist places for pupils, if agreed by the Secretary of State (decision awaited at the time of report preparation)
- That the Minimum Funding Guarantee is maintained at +0.5%
- That the unit values of the NFF to be adjusted, whilst still mirroring the NFF, to ensure funding allocation is affordable within the grant monies.

In addition to funding via the DSG, Schools receive funding from other ring-fenced grants, such as Pupil Premium and Universal Infant Free School Meals. Each have their own method of allocation and distribution.

The Local Authority is responsible for setting the High Needs Block budget, which is proposed within this paper. A deficit budget is proposed for 2024-25 as part of a multi-year plan to return the High Needs Block to a balanced position in-year and to repay the cumulative deficit; this is in line with expectations of our Safety Valve agreement with the DfE.

It is also the Local Authority's responsibility to set a local formula to pay early years providers for funded hours claimed by parents in line with DfE requirements, after consultation with providers. The Government announced significant changes to early years parental funding entitlements as part of the Spring 2023 budget. These changes have had a significant impact upon the scale of the Early Years block funding available to Norfolk and require amendments to our local formula. In summary, the key proposed changes to the distribution formulae utilising the increased rate that NCC will receive (announced by the Government in December 2023) are:

- an increased base rate for 3- and 4-year-olds to £5.03 per hour;
- an increased base rate for 2-year-olds to £7.09 per hour;
- introduction of a base rate for under 2-year-olds of £9.69 per hour;
- a deprivation supplement rate payable for children living in the most 20% deprived areas;
- removal of the discretionary supplements for 3-and-4-year-olds;
- 4% retention for central support and administration across all age-ranges;
- SEN intervention funding for all age groups;
- and, 0.25% contingency.

Recommendations:

To agree:

- 1. the Dedicated Schools Grant funding including**
 - a. the changes to the schools funding formula;**
 - b. the changes to the early years funding entitlements formula;**

- c. agreeing the high needs block budget, noting that it has been assessed to meet our statutory duties and it adds to the DSG cumulative;**
- 2. to delegate decision making powers to the Executive Director of Children's Services, in conjunction with the Lead Member for Children's Services, to agree the final unit values, whilst still mirroring the National Funding Formula, once the final DSG calculations of individual school allocations are known and in line with the principles of Cabinet's decision.**

1. Background and Purpose

- 1.1 Schools funding is provided through the Dedicated Schools Grant (DSG) and other grants. The DSG is allocated to local authorities who then delegate the funding to schools in accordance with agreed formula allocation. Grants are allocated by local authorities to schools as per the Department of Education (DfE) conditions of grants, which vary depending upon the purpose and aims of the funding.
- 1.2 The Local Authority will receive its Dedicated Schools Grant allocation for 2024-25 based on the new National Funding Formula (NFF). Pupil premium will continue as a separate, ring-fenced grant.
- 1.3 The DSG is split into four funding blocks: the Schools Block, the High Needs Block, the Early Years Block and the Central School Services Block.
- 1.4 Movements of up to 0.5% from the Schools Block to other Blocks has to be agreed upon by the local Schools Forum. An application for approval to the Secretary of State has to be made if either the Schools Forum do not agree to a transfer of up to 0.5%, or the Local Authority wishes to make a transfer between Blocks of above 0.5%. Appendix A provides further details of previous years' Schools Block to High Needs Block arrangements for reference.
- 1.5 The DSG deficit arises from the historic underfunding of the High Needs Block, which supports high needs places in state special schools, independent schools, and alternative provision, in addition to supporting pupils within mainstream schools (over and above mainstream schools' delegated SEN notional funding) and the commissioning of services and teams, such as speech and language therapy and sensory support. Norfolk is currently carrying an outstanding DSG deficit from previous financial years, with a forecast £73.3m cumulative deficit forecast for the end of 2023/24. On the basis of the accounting treatment introduced in 2020 by the Government:
 - the DSG is a ring-fenced specific grant separate from the general funding of Local Authorities;
 - any deficit an authority may have on its DSG account is expected to be carried forward and is not required to be covered by the authority's general reserves;
 - the deficit should be repaid through future years DSG income.

This deficit DSG reserve position is referenced in the County Council's reserve balances presented within the Norfolk County Council Revenue Budget 2023/24 report elsewhere on this Cabinet's agenda but does not need to be considered when assessing the sufficiency of the Council's general reserves balances. The accounting treatment has been extended until end of 2025/26.
- 1.6 Demand has continued to outstrip supply and, without significant transformative change requiring significant investment, or legislative or national policy change, it is expected to continue to do so in future years, based upon the trends seen since the policy changes made through the SEND reforms within the Children & Families Act 2014. The financial impact of these policy changes were not fully recognised at the time of implementation and the funding for the High Needs Block has not kept pace. The County Council has a significant capital

investment and transformation programme that has been underway for a number of years, but it has not proved sufficient to sustainably balance the DSG given the level of pressures that have been seen in the system and acknowledged in the SEND and AP Green Paper (SEND Review: Right Support, Right Place, Right Time¹). that was published by the Government in Spring 2022 (the outcome of the delayed National SEND Review) and subsequent national SEND & Alternative Provision improvement plan published by the DfE in March 2023.

- 1.7 However, in light of the continuing significant financial pressures seen in the County, Norfolk was invited to join the Governments 'Safety Valve' programme in late Spring 2022, working with both financial and SEND advisors appointed by the DfE to develop a multi-year plan to both bring the DSG back into balance on an in-year basis as well as to look to repay the deficit both through savings from transformation of High Needs Block spend as well as through contributions from both the DfE and NCC. The Secretary of State for Education agreed Norfolk's Safety Valve plan² in March 2023 and implementation has begun in earnest.
- 1.8 There are approximately 30 local authorities within the DfE 'safety valve' programme and in Norfolk our delivery plan is known as 'Local First Inclusion'. This six-year programme (2023-2029) is designed to continue to expand the amount of specialist provision available across the county (both special school and specialist resource base developments) whilst ensuring a renewed focus on mainstream inclusion at the same time. We believe that we will be able to meet needs earlier and improve outcomes through these twin-track developments and ensure that the in-year and cumulative budget pressures are addressed, by reducing our historic reliance on higher cost independent sector specialist placements.
- 1.9 Given the scale of the challenge, the Local First Inclusion programme is complex, with 80 individual projects being developed across five over-arching workstreams. The programme started formally in April 2023 and significant progress has been achieved across the programme. However, as would be expected with a six-year programme of activity the benefits, to children and young people and to the budget, are planned to accrue throughout the period 2023 to 2029 and in the short-term the pressures continue. Indeed, the referrals for Education Health & Care Plans are continuing to rise at record levels. Additionally, inflation levels have been significantly higher than expected bringing additional cost pressures throughout the education system, as seen elsewhere.
- 1.10 Norfolk has entered into a period of enhanced monitoring and support with the DfE (from October 2023 to March 2024) to ensure that our plan remains on track. We are currently undertaking a 'stock-take' of all activity across the programme to review the future years' modelling alongside a comprehensive programme refresh that will identify new initiatives and mitigations that will revise the trajectories and introduce new initiatives with the aim of bringing the plan back on track to ensure that the joint DfE and NCC investment continues

¹ [SEND Review: Right support, Right place, Right time](#)

² The Safety Valve agreement for Norfolk is published by the DfE alongside equivalent agreements with other authorities: [DSG Safety Valve Agreements](#)

to address the needs of children and young people and addressing the underlying budgetary pressures.

- 1.11 It should be noted that due to the timing of these reports prior to the ongoing work with the DfE, the High Needs Block budget, and thus the DSG budget, as a whole, is based upon current projections without the benefit of this further work. Members will be updated upon the progress of this work in due course.
- 1.12 Proposed budget is based upon current snapshot prior to completion of this review due to timescales required for budgeting. An update will be provided as part of regular financial monitoring reporting during the 2024-25 financial year.

Central Government Policy

- 1.13 The Government have issued various funding announcements in recent times, including:
- 1.14 Spending Review 2021: At the spending review, the Government announced that the total core school budget is increasing to £56.8bn by 2024-25 which is a £7bn cash increase compared with 2021-22. This has now been increased to over £59.6bn in 2024-25 following the addition of funding for the teachers' pay announced in July 2023³. Funding allocations for 2024-25 represent the final year of the three-year funding settlement.
- 1.15 This total includes the additional funding for teachers' pay announced in July 2023; the Teachers Pay Additional Grant (TPAG) provides an additional £482.5m in 2023-24, and £827.5m for 2024-25 for mainstream, special and alternative provision schools. TPAG will be allocated outside of the National Funding Formula in 2024-25. Further details on the TPAG can be found here: [Teachers' pay additional grant - GOV.UK \(www.gov.uk\)](https://www.gov.uk/teachers-pay-additional-grant).
- 1.16 Norfolk's Dedicated Schools Grant (DSG) allocation for 2024-25 was published by the DfE in December 2023 and totals £853.156m before academy recoupment. This compares to a total DSG allocation of £786.830m in 2023-24 as at the November 2023 DSG update; an overall increase of £66.326m between years (including £20.446m of Mainstream Schools Additional Grant rolled into the DSG for 2024-25).
- 1.17 Funding through the mainstream schools National Funding Formula (NFF) is increasing by 2.7% per pupil in 2024-25, compared to 2023-24. This results in mandatory minimum per-pupil levels of £4,655 for primary schools (up from £4,405) and £6,050 for secondary schools (up from £5,715).
- 1.18 The Department of Education announced arrangements for the 2024-25 National Funding Formula on their website on 17th July 2023. Further information is available at the Government websites detailed below:

Policy paper: [National funding formula for schools and high needs 2024 to 2025 \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/government/policies/national-funding-formula-for-schools-and-high-needs-2024-to-2025)

Provisional allocations: [National funding formula tables for schools and high needs: 2024 to 2025 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/policies/national-funding-formula-tables-for-schools-and-high-needs-2024-to-2025)

³ The Teachers Pay Additional Grant (TPAG) provides an additional £482.5m in 2023-24, and £827.5m for 2024-25 for mainstream, special and alternative provision schools

- 1.19 It continues to be Government policy towards transferring to a direct National Funding Formula (NFF), which will determine school funding allocations directly rather than through a local formula; 2023-24 was the first year of this transition. In 2024-25, local authorities continue to only be allowed to use NFF factors in their local formulae, and must use all NFF factors, whilst also being required to move their local formulae a further 10% closer to NFF unit values in 2024-25 that builds upon the 10% movement required in 2023-24.
- 1.20 To aid the transition to allowable 2024-25 funding values, the DfE have published the acceptable factor value range for each local authority. The allowable range for Norfolk is shown in the table in appendix B. Norfolk is one of many LAs that already ‘mirrors’ the National Funding Formula (NFF) unit rates having been closely aligned to NFF factor values and methodologies since 2019-20, with options for the local formula for Norfolk co-produced with Norfolk Schools Forum each year and all schools were consulted on the options available. Mirroring is defined by the DfE as using rates for each of the funding factors that are within 2.5% of the respective NFF values published by the DfE.
- 1.21 The issue of increasing and sustained pressure within the High Needs Block is in part due to increasing quantity and complexity of need which has been experienced nationally. The increased demand can also be correlated to the period following the implementation of the SEND reforms within the Children and Families Act 2014. This has been acknowledged by government through their national review into support for children with special educational needs (2020/21) which led to the publication of the SEND Green Paper: SEND Review: Right Support, Right Place, Right Time in 2022. The DfE held a consultation upon the proposals, which the Council responded to alongside regional and national representations. The Government subsequently issued, in March 2023, the SEND & Alternative Provision Improvement Plan with a timeline of activity up to end of 2025. Government confirmed that there would not be any legislative changes to underpin the improvement plan and are instead trialling changes within ‘pathfinder’ local areas. The outcome of these trials are yet to be rolled-out nationally. However, we are confident that our local plans are in line with the spirit of the national plan, and we will adapt and adopt any changes when provided with more information by the DfE.
- 1.22 Following the Government’s Spring 2023 Budget, the DfE is introducing funding for the new expanded entitlements announced in the spring 2023 budget, which are being introduced in phases. The DfE published illustrative allocations for the new and existing entitlements in July.
- From April 2024, all eligible working parents of 2-year-olds can access 15 hours per week for 38 weeks of the year.
 - From September 2024, all eligible working parents of children aged 9 months up to 3-years-old can access up to 15 hours free childcare per week for 38 weeks of the year.

- From September 2025, all eligible working parents of children aged 9 months up to 3-years-old can access up to 30 hours free childcare per week for 38 weeks of the year.

First Inclusion Programme

- 1.23 Norfolk is part of the Department for Education (DfE) 'Safety Valve' programme as part of the ongoing plan to return the High Needs Block of the Dedicated Schools Grant (DSG) to a balanced budget, due to the ongoing and significant pressure for specialist placements and SEND provision overall. In Norfolk the Local First Inclusion programme of work is our 'safety valve' plan.
- 1.24 Local First Inclusion has secured joint DfE and NCC revenue and capital funding with a parallel focus on meeting needs earlier and more effectively within local inclusive mainstream education whilst continuing to build and develop more state-funded special schools and specialist resource bases. We are also investing in more 'free at the point of delivery' teams to provide advice, guidance and direct support within a new 'zone' approach to locality working. This is a six-year programme and requires significant partnership working between children's services and school leaders to ensure that we deliver the ambitions of the programme but, critically, embed these for the long term.
- 1.25 The Local First Inclusion Programme is all about improving outcomes for children and young people with SEND ensuring, wherever possible and appropriate, they can attend school close to their home/in their community with the support they need to make progress in their learning alongside other children of the same age.
- 1.26 Local First Inclusion is a six-year programme that has been agreed by the Secretary of State, as part of the DfE 'safety valve' programme, securing DfE investment of £70m alongside NCC investment of c. £35m. This investment is aimed at ensuring we can collectively improve assessment, support, services and provision for children and young people with SEND whilst also achieving a balanced High Needs Block budget over the medium / long term. This six-year programme is ambitious and complex. To ensure that we can deliver on our aims and objectives and the outputs and outcomes signed off by the Secretary of State, we have designed a programme of 80 projects within 5 over-arching workstreams:
- **Workstream 1 – Mainstream School Inclusion, Culture and Practice**
 - **Workstream 2 – Early Help & Inclusion / School & Community Teams**
 - **Workstream 3 – School Led Alternative Provision Models**
 - **Workstream 4 – Commissioning/Using Independent Sector Differently**
 - **Workstream 5 – SEND Sufficiency & Capital Delivery**
- 1.27 Whilst Local First Inclusion will continue the expansion of specialist provision, to reduce our reliance on high cost, lower quality, independent sector provision but will also continue our focus on mainstream inclusion, a reduction in the reliance on Education Health and Care Plans and a new approach to school led alternative provision. As a result of the capital investment to date, we have opened three new special schools and expanded the specialist resource bases

hosted by mainstream schools with more than 10 new bases set up and the first in a new phase of bases opening this February.

- 1.28 These transformational changes, taken together, will not only improve educational provision and outcomes for children and young people, but are also key to addressing the ongoing budget pressures within the council's SEND transport budget and the High Needs Block (HNB). For example, we have already identified savings to both the High Needs Block and SEN Transport budgets derived from the first cohorts within the new schools, £2.5m and £1.3m respectively.
- 1.29 Funding for children with SEND in Norfolk remains a key pressure in a number of ways. For many years, Norfolk's rate of pupils with SEND has been higher than the national average (when taking the SEN Support and Education Health and Care Plan cohort as a whole⁴), which leaves a cultural legacy not just in schools, but from families and agencies across the county. In recent years, we have seen the demand nationally 'catch up' with Norfolk's position, but the funding nationally remains challenging compared to the high level of need and identification and given the size of deficits across a large number of local authorities.
- 1.30 The geography and infrastructure of the county means that specialist provision is not available equitably. Too often children and young people in Norfolk are travelling too far to access appropriate provision. The funding available to support meeting high needs is firmly committed, year on year, to the delivery of specialist provision, and this accounts for the vast proportion of the funding available via the High Needs Block. However, with too few maintained places in special schools in Norfolk, a significant proportion of this funding is required to fund places in independent / non-maintained, higher cost provision, which, when compared to relative quality, does not represent best value for money.
- 1.31 In addition, the permanent exclusion of children from Norfolk schools has historically been amongst the highest proportion of children excluded nationally, (excepting the reduction in exclusions during the pandemic). The consequent impact on the funding of alternative provision for excluded children is adding a further, significant pressure, both at a primary and a secondary level.

DfE Safety Valve Programme

- 1.32 The Early Years Finance (England) Regulations 2022 state the ring-fenced status of DSG and how any DSG deficits must be handled. DSG deficits must be carried forward to be dealt with only from future DSG income.
- 1.33 The grant conditions issued for the 2024/25 Dedicated Schools Grant (DSG) were published in December 2023⁵.
- 1.34 Like many other local authorities, Norfolk currently has a cumulative DSG deficit. Therefore, any overspend on the DSG (for example, due to the number of special school places exceeding the funding available) is required to be repaid through future DSG income, unless the Secretary of State authorises an exception to this.

⁴ SEN Support cohort is 12.6% nationally and 13.6% in Norfolk, with Education Health and Care Plan cohort 4.0% nationally and 4.1% in Norfolk

⁵ [DSG: conditions of grant 2024 to 2025 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/dsg-conditions-of-grant-2024-to-2025)

- 1.35 Whilst a deficit remains, Norfolk County Council's General Fund (council tax funding) continues to bear the hidden cost of lost interest whilst the County Council 'bank rolls' the deficit.
- 1.36 As set out earlier, Norfolk worked intensively with the DfE since over the summer of 2022 as part of their Safety Valve programme, the DfE mechanism to work with LA's who have the highest levels of High Needs Block (DSG) pressure/overspend. The outcome of this work was the joint DfE and NCC £100m investment, agreed by the Secretary of State in March 2023 which led to the launch in April 2023 of our Local First Inclusion Programme.
- 1.37 The core aim for DfE and NCC alike is to achieve an in-year balanced budget to enable the cumulative deficit to be addressed. Doing so in a way in which outcomes for children and young people are improved and leading to a long-term sustainable model of local mainstream inclusion and specialist provision for those with complex needs.
- 1.38 The key requirements that need to be met by all LAs in the programme are:
- How the LA will control the DSG deficit and reach an in-year balance (as a minimum), and how quickly. It is requested that this be set out in the DfE DSG management plan template. The DSG management plan should also indicate any planned block transfer requests, which will be handled through the Safety Valve programme where required.
 - How Norfolk will contribute to the reduction of the historic deficit through use of DSG surpluses, in addition to reaching an in-year balance.
 - How Norfolk will ensure that the plan is deliverable, how it will be managed as it is implemented and how this plan will continue to ensure the appropriate support for children and young people with SEND. This includes ongoing monitoring of progress towards the agreement by the LA.
 - A clear explanation of the financial support Norfolk needs from the DfE to eliminate the historic deficit over the period of the agreement. This could include, if necessary, a request for some funding to help implement the proposal, as well as funding to eliminate the deficit directly, although we would not expect this to constitute a significant element of the total financial support requested.

Local First Inclusion and links to Schools Forum and DSG planning

- 1.39 As set out earlier in this paper the Local First Inclusion Programme is aimed at continuing to meet the needs of children and young people with special educational needs and those requiring alternative provision in a way that also ensures that we address historic budget pressure. This is possible due to the joint DfE and NCC investment of £100m, enabling a renewed focus on mainstream inclusion opportunities at 'SEN Support' alongside continued development of new specialist resource bases and special schools. Due to the interdependency between these budgets in the High Needs Block and other DSG funding, we continue to work closely with Norfolk's Schools Forum and other school leadership groups.
- 1.40 The financial modelling for the DSG recovery plan submitted as part of the Safety Valve agreement was based upon the best available information at the time of preparation, including projected transformation over a number of years,

many at the early stages of planning due to the short timescale for the development of the plan with the DfE. Since the plan was submitted and agreed, additional pressures (including significant inflationary pressures) have been experienced, as well as continuing increases in demand for support to meet high levels of special educational needs. Significant work has also been undertaken to develop the transformation programme and the detailed projects within it, including reviewing and revising the costs and benefits projections as the detail takes shape. The agreed multi-year plan has been shared in previous reports.

- 1.41 The financial modelling of the multi-year DSG recovery plan is complex, with many aspects not entirely under the control of the local authority, such as demand for specialist provision, independent sector placement charges and the medium-to-longer term impact of the Covid-19 pandemic upon high needs including alternative provision. Therefore, a significant proportion of initial work for the programme has been engaging very large numbers of partners in the systems, such as schools and academy trusts in Norfolk, to enable the scale of change required over a number of years to be delivered.
- 1.42 It was always expected that the initial years of the recovery plan would actually see an increase in in-year deficits prior to a reduction and, ultimately, break-even / surpluses. This is to enable investment in earlier help and inclusion, particularly within mainstream settings, prior to the benefits of both the capital and revenue investment being realised.
- 1.43 The scale of the challenge faced by Norfolk within the current funding arrangements from the Government cannot be overstated. The high-level medium-term plan is shown in the table overleaf.
- 1.44 The Local Authority submitted a disapplication of regulations request to the Secretary of State in November 2023 requesting a further 1% transfer from the Schools Block to the High Needs Block in 2024/25, in line with the 'safety valve' plan modelling. This request is equivalent to £6.354m and the application has been approved and is in addition to the 0.5% approved by Norfolk Schools Forum.
- 1.45 The current financial year outturn forecast, 2023/24, is £34.9m overspend at the end of period 8 (end of November 2023).

2023-24 DSG Allocations

- 1.46 Norfolk's Dedicated Schools Grant (DSG) allocation for 2024-25 was published by the DfE in December 2023 and totals £853.156m before academy recoupment. This compares to a total DSG allocation of £786.830m in 2023-24 as at the November 2023 DSG update; an overall increase of £66.326m between years (including £20.446m of Mainstream Schools Additional Grant rolled into the DSG for 2024-25).
- 1.47 The overall difference in the DSG allocation from the prior year funding is set out in the table below:

Funding element	2024-25* (£m)	2023-24** (£m)	Change (£m)	Explanation for change
Early Years Block	71.334	46.072	25.262	Increases in hourly rates alongside new entitlements as per

				the Government's spring 2023 Budget
Schools Block	635.437	601.033	34.404	Change in pupil numbers £0.273m, School Supplementary Grant rolled into DSG (£20.446m) and additional money from DfE through NFF £13.685m.
Central School Services Block	4.231	4.080	0.151	Reduction of 127 pupils, but funding per-pupil has increased from £36.88 to £38.50 per pupil. Funding towards historic commitments has reduced by 20% (a reduction of £0.020m).
High Needs Block	142.155	135.646	6.509	Includes £1.650m for increase of 354 pupils in special school (inc. independent) places, and £4.859m other additional funding distributed through National Funding Formula.
Total	853.156	786.830	66.326	

*Source: DfE's DSG allocation tables 2024-25 (published Dec'23)

**Source: DfE's DSG allocation tables 2023-24 (Nov'23 update)

Note: All figures are shown rounded to nearest thousand per DfE allocation table

Schools Block

- 1.48 The Schools Block allocation for 2023-24 is £601.033m; an increase of £32.402m (including School Supplementary Grant of £16.818m rolled into DSG) from the £568.631m received in 2022-23.
- 1.49 £3.633m of the increase is extra funding for additional pupil numbers on the October census, up from 107,460 pupils to 107,974 pupils compared to the previous year (based on 2022-23 funding rates). The remaining £28.769m is from School Supplementary Grant rolled into DSG and uplifts to National Funding Formula funding distributed by the Department for Education (DfE) for 2023-24.
- 1.50 Appendix B provides a summary of the changes to the National Funding Formula for 2023-24.
- 1.51 In addition to the Schools Block DSG allocation, Norfolk's mainstream schools and academies will receive Mainstream Schools Additional Grant⁶ of £20.5m which will be allocated to mainstream schools and academies in 2023-24 based on school-level allocations provided by the DfE in spring 2023.

Central School Services Block

- 1.52 This block consists of historic commitments prior to 2013 with a contractual agreement. It also includes a contribution to the admissions service, the servicing of the Schools Forum and covers licences that are paid centrally by the Department of Education on all schools' behalf. Additionally, it includes the

⁶ [Mainstream schools additional grant 2023 to 2024 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/mainstream-schools-additional-grant-2023-to-2024)

previously retained element of the Education Services Grant, which covers the statutory duties carried out by the Local Authority for all types of school.

- 1.53 The Central School Services Block allocation for 2023-24 is £4.080m (£3.965m in 2022-23) and covers centrally retained budgets that support schools. The increase of £0.115m is due to an increase of 514 pupils between years, an increase in the amount allocated per-pupil (from £35.75 per-pupil to £36.88 per-pupil), partially offset by a decrease in funding for historic commitments (down from £123k to £98k).
- 1.54 This DSG block will be used as per agreement with Schools Forum at their November 2022 and January 2023 meetings.

High Needs Block

- 1.55 The High Needs block allocation generated by National Funding Formula for 2024-25 is £142.155m, an increase of £6.509m (4.8%) from £135.646m in 2023-24 (as at the November 2023 DSG update).
- 1.56 The increase of £6.509m between years includes an increase of £1.650m based on the number of pupils in special schools (including independent), up from 2,638 to 2,992 pupils. The remaining increase, £4.859m, is due to previously announced and expected DSG increases through the High Needs National Funding Formula for 2024-25.
- 1.57 A transfer of 1.5%, c£9.532m, from the Schools Block (0.5% agreed by Schools Forum and additional 1% approved by Secretary of State following a disapplication request by the LA), increases the total amount available for High Needs Block in 2024-25 to £151.687m.

Early Years Block

- 1.58 The DfE published the indicative Early Years (EY) Block allocations in December 2023, including confirmation of increased hourly rates that Norfolk will receive in 2024-25 and the additional funding for the expanded entitlements.
- 1.59 The 2024-25 published rates for Norfolk must fund providers for childcare hours claimed as early education, supplements, SEN Inclusion Fund (SENIF), contingency and central costs retained by the Local Authority.

	3- and 4-year-olds	2-year-olds	Under 2's
2024-25	£5.48	£7.70	£10.48

The 2024-25 rate for 3- and 4-year-olds includes £0.06 previously allocated as a separate Teachers Pay and Pensions Grant.

- 1.60 For comparison, the rates for 2023-24 are shown below. During 2023-24, there was the unusual step of rates being increased in September 2023 because LAs received an Early Years Supplementary Grant to directly increase rates reflecting additional funding as a result of the 2023 Spring Budget announcements:

	3- and 4-year-olds	2-year-olds	Under 2's
April 23	£4.90	£5.71	n/a
Sept 23	£5.24	£7.56	n/a

- 1.61 The indicative Early Years Block in 2024-25 totals £71.334m compared to £46.072m in 2023-24 (as of November 2023 DSG update). For 2023-24, Norfolk also received £2.496m of funding for the Early Years Supplementary Grant in September 2023 for 2 terms.
- 1.62 For disadvantaged 2-year-olds, as well as for the 3- and 4-year-old allocations, the final Early Years Block DSG allocations for 2024-25 will be based on 5/12th of Part Time Equivalent data from the January 2024 Census and 7/12th of PTE data from the January 2025 Census. The local authority will account for EY Block income on an accruals basis, entering estimated adjustments into the accounts at year end to reflect the estimated final EY Block funding for 2024-25. The final adjustment to 2024-25 Early Years Block will take place in July 2025, after year end.
- 1.63 For the new working parent entitlements, the funding allocations for children of working parents aged 9 months up to and including 2-year-olds, the final allocation to the LA in 2024-25 will be based on two additional data termly headcounts in summer 2024 and autumn 2024 as well as through the January 2025 census.
- 1.64 Initial budgets, and the funding formula, will be set based on the DfE's indicative Early Years Block allocation.
- 1.65 Early Years Pupil Premium will be paid at an increased rate of £0.68 per hour per eligible child claiming for all entitlements regardless of age, up to a maximum of 570 hours per year (compared to £0.62 per hour in 2023/24 for eligible 3-and-4-year-olds only). The initial published allocation is £0.950m.
- 1.66 The Disability Access Fund aids access to early years places. An early years setting is eligible for £910 per year (increased from £828 in 2023/24) for each child in receipt of Disability Living Allowance at the eligible date. In line with revisions to Early Years Pupil Premium, this will be available to all entitlements regardless of age, rather than only 3-and-4-year-olds as in previous years. The allocation for 2023/24 is £0.533m, and it is not updated during the financial year.
- 1.67 The Early Years National Funding Formula (EYNFF) places nursery schools on the same funding model as all Early Years Settings, and supplementary funding of £0.445m (increased from £0.364m in 2023/24) has been provided to continue to protect fixed sums that the 3 Nursery Schools in Norfolk receive. This funding is based upon funding of £4.64 per hour to pass to the 3 nursery schools. The supplementary funding is to cover the higher overheads and cost of qualified teaching staff in a Nursery School.

DSG Changes between years (by Funding Block)

- 1.68 The overall difference in the DSG allocation from the prior year is set out in the following table:

Funding element	2024-25* (£m)	2023-24** (£m)	Change (£m)	Explanation for change
Early Years Block				
Early Years 3- & 4-year-olds: 15 hours universal entitlement	32.829	29.354	3.475	Increase in hourly rate from £4.90 (£5.24 from Sept'23 including EY Supplementary Grant) to £5.48
Early Years 3- & 4-year-olds: 30 hours for working parents	12.570	11.239	1.331	Increase in hourly rate from £4.90 (£5.24 from Sept'23 including EY Supplementary Grant) to £5.48
Early Years 2-year-olds: 15 hours, disadvantaged	5.783	4.289	1.494	Increase in hourly rate from £5.71 (£7.56 from Sept'23 including EY Supplementary Grant) to £7.70
Early Years 2-year-olds: 15 hours, working parents' entitlement	10.786	0.000	10.786	New entitlement at an hourly rate of £7.70
Early Years Under 2's	7.438	0.000	7.438	New entitlement at an hourly rate of £10.48
Early Years Pupil Premium 3- & 4-year-olds	0.602	0.549	0.053	Increase in rate from £0.62 to £0.68 per eligible child
Early Years Pupil Premium 2-year-olds	0.331	0.000	0.331	New entitlement at an hourly rate of £0.68 per eligible child
Early Years Pupil Premium Under 2's	0.017	0.000	0.017	New entitlement at an hourly rate of £0.68 per eligible child
Nursery Schools Supplement	0.445	0.365	0.080	Increase in hourly rate from £3.80 to £4.64
Early Years Disability Access Fund 3- & 4-year-olds	0.400	0.276	0.124	Increase from £828 to £910 per eligible child
Early Years Disability Access Fund 2-year-olds	0.106	0.000	0.106	New entitlement at £910 per eligible child
Early Years Disability Access Fund Under 2's	0.027	0.000	0.027	New entitlement at £910 per eligible child
Schools Block	635.437	601.033	34.404	Change in pupil numbers £0.273m, School Supplementary Grant rolled into DSG (£20.446m) and additional money from DfE through NFF £13.685m.

Central School Services Block	4.231	4.080	0.151	Reduction of 127 pupils, but funding per-pupil has increased from £36.88 to £38.50 per pupil. Funding towards historic commitments has reduced by 20% (a reduction of £0.020m).
High Needs Block	142.155	135.646	6.509	Includes £1.650m for increase of 354 pupils in special school (inc. independent) places, and £4.859m other additional funding distributed through National Funding Formula.
Total	853.156	786.830	66.326	

*Source: DfE's DSG allocation tables 2024-25 (published Dec'23)

**Source: DfE's DSG allocation tables 2023-24 (Nov'23 update)

Note: All figures are shown rounded to nearest thousand per DfE allocation table

Movement Between Funding Blocks

- 1.69 Movement of 0.5% from the Schools Block to the High Needs Block was agreed by Schools Forum at the November 2023 meeting with the intention of alleviating the forecast pressure on the High Needs Block caused by the demand on high-cost specialist placements, the increase in high needs in the school population and the proportion of placements in independent provision as opposed to state-maintained provision. Based on the updated DSG allocation for 2024-25 this is a one-off movement of approximately £3.177m.
- 1.70 With the full support of Schools Forum, the Local Authority submitted a disapplication of regulations request to the Secretary of State in November 2023 requesting a further 1% transfer from the Schools Block to the High Needs Block in 2024-25, equivalent to approximately £6.354m. The Secretary of State has approved this additional transfer, which will result in new block totals of £625.905m for Schools Block and £151.687m for High Needs Block.

Existing DSG Cumulative Deficit

- 1.71 Norfolk is carrying an outstanding DSG deficit of £45.9m from previous financial years as a result of pressures within the High Needs Block. A further DSG deficit of £27.4m for 2023/24 is forecast based upon the latest information available (after expected funding contributions during 2023/24 of £2m from DfE for Safety Valve programme and £5.5m of LA funding). The overall DSG starting position for 2024/25 is, therefore, forecast to be a deficit of 73.3m.

Other Schools Grants

Pupil Premium

- 1.72 The DfE has stated that Pupil Premium funding will increase in 2024-25. The new rates will be:
- Primary FSM6 pupils: £1,480
 - Secondary FSM6 pupils: £1,050
 - Looked-after children: £2,570
 - Children who have ceased to be looked-after: £2,570
 - Service children: £340
- 1.73 The DfE will publish allocations and conditions of grant in spring 2024.

Other grants for 2022 to 2023

1.74 Teachers' pay additional grant for 2024 to 2025

- 1.75 The DfE have published the methodology document for the teachers' pay additional grant (TPAG) for 2024 to 2025
<https://www.gov.uk/government/publications/teachers-pay-additional-grant-2024-to-2025>

1.76 Teachers' pensions grant for 2024 to 2025

- 1.77 There will be an additional grant for 2024 to 2025 to reflect the additional costs of the increase to the employer contribution rates to the Teachers Pensions' Scheme from April 2024. Further details will be announced by the DfE in due course.

2. Proposal

Schools Block

- 2.2 Norfolk County Council (NCC) is the organisation with responsibility for setting the formula for Norfolk in consultation with schools and Norfolk's Schools Forum. It is proposed that Norfolk continues to mirror the National Funding Formula unit values and methodologies for 2024-25, updated to reflect the new values published by the DfE, along with a Minimum Funding Guarantee (MFG)⁷ protection of +0.5% to ensure that all schools receive per-pupil increases through the formula, based upon like-for-like pupil data.
- 2.3 In the recent past, when an adjustment has been required to ensure affordability, a funding cap has been applied upon gains. However, several schools raised concerns in relation to the impact of this approach following changes to one of the funding factors, sparsity, and requested that consideration is given to ensuring affordability of the formula through other routes. Following a consultation with schools of various options, it is proposed that affordability is ensured through a reduction in unit values within the range allowed for Norfolk (within the allowable range that means Norfolk will continue to mirror the NFF) for 2024-25 rather than a cap on gains.
- 2.4 The proposal provides for the DfE's compulsory Minimum Per-Pupil Funding Levels at increased levels of at least £4,655 per pupil for primary schools, and at least £6,050 per pupil for secondary schools.
- 2.5 In accordance with DfE expectations that local authorities should be working towards balancing the DSG overall as a grant, including repaying brought forward cumulative deficits, the Local Authority (NCC) is also required to consider the transfer of funding from the Schools Block to the High Needs Block in 2024-25 to meet the ongoing pressures of the High Needs Block and to continue working towards recovery of the current cumulative and in-year DSG deficit. Also, Norfolk has a Safety Valve agreement with the DfE that may expect block transfers to be made as part of the overall recovery of the DSG deficit.
- 2.6 This proposal presumes that there is a block transfer of 1.5% from the Schools Block to the High Needs Block for 2024-25; a combination of 0.5% (£3.177m) transfer agreed by Schools Forum in November 2023 and a further 1% (£6.354m) transfer requested in a disapplication request to the Secretary of State in line with the Safety Valve plan agreed with the DfE. This disapplication request has been approved.
- 2.7 The total Schools Block will be £625,905,132 including the agreed £1.257m (£1.072m for in-year growth for maintained schools and academies, and £0.185m for the pre-opening costs of new schools) growth fund that will be allocated in-year based on the growth fund criteria agreed by Schools Forum in November 2023 (£1.072m for in-year growth and £0.185m for the pre-opening costs of new schools).

⁷ Appendix C provides an explanation of the Minimum Funding Guarantee for information.

- 2.8 The total allocation to mainstream schools' and academies' budget shares will be £624,648,132 (including National Non-Domestic Rates) plus £1.257m growth fund will be retained for further allocation to schools during the year.
- 2.9 Therefore, **it is proposed that the Schools Block is allocated to mainstream schools and academies in 2024-25, after deductions for an agreed growth fund, £1.257m, and agreed transfer to the High Needs Block of 1.5%, £9.532m, with allocations to schools mirroring the National Funding Formula factor values (unit rates) and methodologies as closely as possible, whilst ensuring overall affordability of the formula and including a Minimum Funding Guarantee (MFG) of +0.5% (the maximum allowed for 2024-25).**
- 2.10 As part of the autumn consultation, proposals were made to increase the notional SEN proportion within schools' budgets, and schools were asked for feedback upon those.
- 2.11 As the description suggests, notional SEN funding is 'notional' and is not intended to prescribe the total level of funding individual schools commit for SEND. Therefore, any change in the ratio of Schools Block funding assigned for notional SEN funding does not change any individual schools' budget allocation. Instead, it provides an indication of the level of support that should be provided and can assist the LA in our work with schools when discussing 'top up' funding from the High Needs Block.
- 2.12 Notional SEN is the element of the DSG Schools Block allocation to all mainstream schools that is intended for children and young people described as requiring SEN Support (i.e., not the cohort who have an Education Health and Care Plan). The DfE have issued operational guidance on notional SEN values for the first time, for the financial year 2023-24. LAs are now expected to review the size of their notional SEN allocations following consultation with schools and Schools Forum and to determine if changes are needed.
- 2.13 Therefore, **it is proposed that Notional SEN is increased by 1% to 7.6% of the Schools Block funding in line with recommendation from Schools Forum.**
- 2.14 Additionally, **Cabinet is being asked to delegate decision making powers to the Executive Director of Children's Services, in conjunction with the Lead Member for Children's Services, to agree the final factor values (unit rates) to ensure overall affordability, once the final DSG calculations of individual school allocations are confirmed, and in line with the principles of Cabinet's decision.**

High Needs Block

- 2.15 The total funding available for the High Needs Block for 2024-25, after block transfer, is £151.687m.
- 2.1 Given the scale of the challenge, the Local First Inclusion programme is complex, with 80 individual projects across five over-arching workstreams. The programme started formally in April 2023 and significant progress has been achieved across the programme. However, as would be expected with a six-year programme of activity the benefits, to children and young people and to the budget, are planned to accrue throughout the period 2023 to 2029 and in the short-term the pressures continue. Indeed, the referrals for Education

Health & Care Plans are continuing to rise at record levels. Additionally, inflation levels have been significantly higher than expected bringing additional cost pressures throughout the education system, as seen elsewhere.

- 2.2 Norfolk has entered into a period of enhanced monitoring and support with the DfE (from October 2023 to March 2024) to ensure that our plan remains on track. We are currently undertaking a 'stock-take' of all activity across the programme to review the future years' modelling alongside a comprehensive programme refresh that will identify new initiatives and mitigations that will revise the trajectories and introduce new initiatives with the aim of bringing the plan back on track to ensure that the joint DfE and NCC investment continues to address the needs of children and young people and addressing the underlying budgetary pressures.
- 2.3 Taking into account that comprehensive work is being undertaken to review the DSG recovery plan at the time of preparation of this report, the proposed High Needs Block budget for 2024-25 based upon the current trends projected forward, which will be revised once the review work is complete to ensure that the plan can be kept on track.
- 2.4 A deficit budget for 2024-25 is required to reflect the revenue invest-to-save activity agreed as part of the multi-year to return to a balanced in year position in the future (through the Local First Inclusion programme), along with the current demand for high needs, specialist education placements and provision, particularly independent provision, exceeding the funds available.
- 2.5 The table below shares those current 2024-25 projections as the proposed budget alongside the 2023-24 forecast, as at the end of November 2023, for comparison.

	2023-24	2024-25
High Needs Block	£m	£m
High Needs Block DSG Income	-135.646	-142.155
1.5% Schools Block transfer	-9.015	-9.532
Total income	-144.662	-151.687
Maintained / Academy / Free Special Schools	54.181	59.636
Specialist Resource Bases & Deaf Resource Bases	7.883	10.088
Independent Special Schools	47.839	44.482
Alternative Provision	2.415	3.035
Short Stay Schools	7.825	7.202
Post-16 (Further Education)	9.376	10.835
Other Provisions	6.335	7.853
Inclusion fund (including mainstream SEN / EHCP support)	31.460	34.658
Speech & Language, Sensory, YOT, CAMHS	3.560	3.780
High Needs Inclusion Infrastructure, cluster teams inc. parent link workers	5.911	7.001
Other, including TPG/TPECG, H&SC levy and new school start-up costs	2.739	2.660
Total Expenditure	179.524	191.230

In-year +deficit/-surplus	34.863	39.543
Cumulative Balance without contributions from DfE and LA	108.739	148.282
Cumulative Contributions:		
DfE Cumulative Contributions	-30.000	-40.000
NCC Cumulative Contributions	-5.500	-11.000
Cumulative Deficit Balance	73.239	97.282
Total DSG Reserves Forecast:		
Schools/CSS Block Forecast Variances for 23-24 (added for both years)	0.045	0.045
Total Forecast DSG Deficit on Reserves	73.284	97.327

- 2.6 **Cabinet is being asked to agree the 2024-25 High Needs Block budget, noting that it has been assessed to meet our statutory duties and it adds to the DSG cumulative deficit whilst work is underway with the Department for Education to ensure that our plan remains on track.**

Early Years Block

- 2.7 Historically, Norfolk's Early Years funding formula has been based upon several elements since its introduction, with the elements for the 2023-24 formula being:
- Hourly base rate (2-, 3- & 4-year-olds)
 - Special Educational Needs Inclusion Fund (2-, 3- & 4-year-olds)
 - Mandatory Deprivation and Discretionary Flexibility and Quality supplements (3- & 4-year-olds only)
 - Additional Maintained Nursery Supplement
 - Centrally Retained by the LA for the provision of central services
 - Contingency
 - Teachers' Pay and Pension Grant (TPG/TPECG)
- 2.8 The DfE have updated their guidance with the introduction of expanded entitlements, and this has provided an opportunity for a review of Norfolk's formula to introduce consistency across all the age bandings, including contributions for central services.
- 2.9 The proposed formula for 2024-25 has been developed on the basis of the following principles:
- the same approach for supplements across all funding streams and only include mandatory supplements.
 - top slice all funding streams equally, and at the minimum level, to fund central support and administration costs.
 - consolidate Teachers Pay and Pensions Grant (TPPG) funding within the base rate to distribute to all providers.
 - increase the Special Educational Needs Inclusion Fund (SENIF) to meet the increase in demand.
- 2.10 The proposals for each element of the formula are shown in the following table

Element	Consideration and Proposal			
Hourly base rates	Based on the proposed principles, the proposed hourly base rates are:			
		3- and 4-year-olds	2-year-olds	Under 2's
	2024-25	£5.03	£7.09	£9.69
	These rates are expected, by Government, to fund free, high quality, flexible childcare. It is not intended to cover the cost of meals, other consumables, additional hours, or additional service.			
	The base rate will decrease for 2-year-old funding from £7.49 to £7.09. The £0.40 reduction will be redistributed to providers to fund a deprivation supplement and SENIF. A proportion will also contribute to the 4% top slice for central spend.			
	It should be noted that the rate set last year for 2-year-olds was £5.64 but a significant increase was received through the EY Supplementary Grant distributed in September 2023.			
	However, eligible Under 2's and 2-year-olds will also now be entitled to Early Years Pupil Premium, meaning that in the majority of cases, disadvantaged 2-year-olds will be funded at a higher rate than previously.			
Special Educational Needs Inclusion Fund	Local authorities are required to establish SENIFs for all children with SEN and accessing their early education entitlement. The aim of this funding is to support local authorities to work with providers to address the needs of individual children with lower level or emerging SEN.			
	The funds will be increased for 2-, 3- and 4-year-olds and a new fund introduced for under 2's for 2024-25. The budget reflects anticipated demand at 3% of each funding stream.			
		3- and 4-year-olds	2-year-olds	Under 2's
	2024-25	£1.36m	£0.497m	£0.223m

	<table><tr><td>2023-24</td><td>£0.850m</td><td>£0.050m</td><td>n/a</td></tr></table> <p>Children with more complex needs, and with an education, health and care plan (EHC) plan, will continue to be eligible to receive funding via the High Needs block of the DSG.</p>	2023-24	£0.850m	£0.050m	n/a
2023-24	£0.850m	£0.050m	n/a		
Mandatory Deprivation and Discretionary Flexibility and Quality supplements	<p>The deprivation supplement is mandatory, but other supplements are discretionary, including quality and flexibility that Norfolk have used previously in its formula.</p> <p>It is proposed that discretionary supplements are removed from the formula, so that there is equivalent approach across all age groups.</p> <p>The use of the deprivation supplement remains mandatory for 3 and 4-year-olds and discretionary for 2-year-olds and children aged 9 months up to 2 years nationally. For Norfolk, it is proposed that the deprivation supplement will remain at £0.21 and will be calculated on the total number of funded hours for children whose home address postcode is in a deprived area determined by the index of deprivation (IDACI).</p>				
Additional Maintained Nursery Supplement	<p>The MNS published amount for 2024-25 is £445,200. This includes £72,921 for Teachers' Pay and Pension Grant (TPPG) and Teachers' Pay Additional Grant (TPAG), which will be distributed as part of the MNS.</p> <p>The 2023-24 MNS was £364,603 which included £50,852 for TPPG.</p> <p>The hourly rate has increased from £3.80 to £4.64 for maintained nursery schools which means it is proposed that the formula no longer requires to provide an annual protection. This protection has previously been reducing to bring the MNS in line with specific funding from the DfE.</p>				
Centrally Retained by the LA for the provision of central services	<p>Historically, the EY NFF sets out that the LA central costs funded from the EY block should be no greater than 5% of 3- and 4-year-old funding when planning the budget.</p> <p>For 2024-25, with in the expansion of entitlements, it is proposed that the level of funding for central spend is reduced to 4% but top sliced across all funding streams equally to fund central</p>				

	support and administration costs relevant to all entitlements regardless of age range. This means the top slice is fairly distributed between all providers and funding distribution maximised.
Contingency	With the increased overall size of the EY block, it is proposed that the percentage of contingency funding allowed for in the formula reduces to 0.25% (£173,514) for 2024-25 from 0.5% in 2023-24. This is with the aim of maximising the funding to be distributed to all providers.

- 2.11 The principles of these proposals have all been supported by Norfolk's Schools Forum. The proposed final formula for 2024-25, based upon the above recommendations is therefore:

	Current Rate 2023-24 (£/hr)	Proposed Rate 2024-25 (£/hr)
Base rate (3-to-4-year-olds)	4.65	5.03
Base rate (2-year-olds)	7.49	7.09
Base rate (under 2 years)	n/a	9.69
Deprivation supplement	0.21	0.21
Quality supplement	0.10	n/a
Quality TPG/TPECG supplement	0.24	n/a

- 2.12 Cabinet is being asked to agree to allocate the Early Years Block funding via revised hourly rates with associated supplements to fund parental entitlements, as recommended by Norfolk's Schools Forum.**

3. Impact of the Proposal

Schools Block

- 3.1 As a result of the 1.5% Schools Block to High Needs Block transfer, mainstream schools will receive a reduced level of funding in their allocations. However, significant reinvestment in mainstream schools from the High Needs Block is planned (similar to 2023-24) through inclusion funding that far exceeds the block transfer value and is distributed based upon needs. Therefore, the total value of the Schools Block funds still remains within the mainstream school sector.
- 3.2 Setting the minimum funding guarantee (MFG) value being set at 0.5% (the maximum allowed), ensures that all mainstream schools in Norfolk will receive a per-pupil gain on a like-for-like basis. However, schools may still see a reduction in their funding if the number of pupils that they have reduce between years.
- 3.3 Conversely, gains need to be limited to enable an MFG to be funded as well as to fund the block transfer. Historically, this has been done in Norfolk through a funding cap, which provides a maximum level of per-pupil gains year-on-year (though it should be noted that this will never result in a budget share that does not meet the MFG requirements or the Minimum Per-Pupil levels). Following a change in the sparsity funding factor criteria, a number of small, rural schools have found that they should have received significant funding increases, but these have been capped as a result of the block transfer, whilst other schools have not experienced any adverse impact of the movement between blocks. The 2024-25 proposal to adjust the National Funding Formula factor values (unit rates), which still meeting the definition of 'mirroring' the NFF, to ensure

affordability means that the impact of the block transfer is experienced fairly across all schools, whilst also treating all per-pupil gains fairly.

- 3.4 It is anticipated that the impact of the change to the Notional SEN percentage will be minimal for most schools. This is because it does not change the actual allocation of funding providing but reflects an expectation regarding the minimum level of funding that should be deployed by schools to support SEN needs. Many schools already report spending more than the 2023-24 Notional SEN allocation on meeting SEN needs and so increasing the value of Notional SEN will make no discernible difference to them. Where a school is allocating less than the Notional SEN amount, there will be an expectation that they increase this level of spend prior to accessing other LA funding for SEND. This approach should result in 'levelling' the playing field across schools to move towards more consistent expectations of Norfolk's schools.

High Needs Block and DSG Recovery Plan

- 3.5 The proposed High Needs Block budget for 2024-25 is a deficit budget that will result in an increase to the cumulative DSG overspend by 31/03/2025, as referred to in earlier sections of this report.
- 3.6 The statutory responsibilities that the local authority has means that increases in demand or complexity of demand are expected to be met whether the High Needs Block funding is sufficient or not.
- 3.7 A High Needs Block consultation in 2021 undertaken by the DfE showed that the system had been under-funded for multiple years for many local authorities, like Norfolk, which will have significantly contributed to the cumulative and current deficits. Back-dated funding to mitigate this recognised historic under-funding has not received, leaving the historic deficit to local authorities to resolve, whilst the cap on 'gains' has meant that Norfolk continues to be under-funded compared to other authorities.
- 3.8 Whilst the accounting treatment of the DSG deficit means that it does not need to be considered when assessing the sufficiency of the Council's general reserves balances, the Council will still have to 'bank roll' the cumulative deficit until it is fully repaid, which is a cost to the Council's NCC Funded revenue budget.
- 3.9 The proposed budget does allow for the continuation of significant revenue investments commenced in 2023-24, as per the Local First Inclusion programme and the 'safety valve' plan. In particular:
- funding into mainstream schools to support inclusion, which should enable mainstream schools to enable pupils to remain within their settings and to reduce escalation of needs and, therefore, in turn, reduce the demand for specialist places.
 - funding, which is combined with NCC funding, for the Schools and Community teams that were launched in September 2023.

funding for additional specialist resource bases and additional special school places within state-funded special schools in Norfolk.

Early Years Block

- 3.10 2-, 3- and 4-year-old hourly base rates will all be increased in line with the additional funding provided via the national funding formula to Norfolk, and a new rate for under 2s will be introduced, whilst deprivation supplements, SEN Inclusion Funds, Early Years pupil premium and the Disability Access Fund will be open to all age groups for the first time.
- 3.11 This is a significant investment in early years entitlement funding by the Government and the rates are anticipated to support providers to continue with their offers and to expand where possible.
- 3.12 That said, overall, funding rates remain low for Norfolk compared to other authorities due to the allocation from Government being close to the lowest level. The funding model considers wage rates in the sector and so the methodology used by Government has the effect of continuing to perpetuate low wages in the sector, which continues to be a concern in terms of ensuring a sufficient and well-trained workforce is in place.
- 3.13 The table below shows the impact of the proposed decisions to the funds available for distribution to providers for each of the age groups:

		3 and 4 year olds	2 year olds	under 2 year olds	TOTAL
EYNFF Hourly Rate 2024-25		£5.48	£7.70	£10.48	
PTE (15 hours)		10,510	1,318		
PTE extended (15 hours)		4,024			
PTE expanded (15 hours)			2,458	1,245	
Indicative Number of Hours (38 weeks)		8,284,340	2,151,858	709,724	
EYNFF Estimated Allocation		£45,398,184	£16,569,309	£7,437,909	£69,405,401
Less	Central Retained Spend @ 4%	£1,815,927	£662,772	£297,516	£2,776,216
	Contingency @ 0.25%	£113,495	£41,423	£18,595	£173,514
	SEN Inclusion Fund @ 3%	£1,361,946	£497,079	£223,137	£2,082,162
		£42,106,815	£15,368,034	£6,898,660	£64,373,510
	Less Deprivation Supplement (mandatory)	£359,286	£104,194	£23,563	£487,043
	Available for Distribution to Providers	£41,747,529	£15,263,840	£6,875,097	£63,886,467

- 3.14 For disadvantage 2-year-old funding and all 3-to-4-year-old allocations, the final Early Years Block allocations for 2024-25 will be based upon 5/12th of part-time equivalent (PTE) data from the January 2024 Census and 7/12th of PTE data from the January 2024 Census (in-line with 2023-24 methodology).
- 3.15 For the new working parent entitlements (9 months up to and including 2-year-olds) the DfE intends to collect termly funding data during 2024-25 in relation to the new working parent entitlements for children aged 9 months up to and including 2 years. This is to ensure local authority funding EY block allocations reflect actual take up and will be adjusted accordingly. It should be noted that the PTE hours shown are indicative for the expanded entitlements.

4. Evidence and Reasons for Decision

- 4.1 The recommendations to Cabinet in this paper reflect the recommendations made, or expected to be made, by Norfolk's Schools Forum following consultations open to all schools and early years providers in Norfolk in the Autumn Term 2023.

- 4.2 Details of the consultations and the responses provided by schools are included within Schools Forum papers⁸ and schools Fair Funding consultation page of our website⁹.

Schools Block

- 4.3 During the autumn 23 term, a consultation was undertaken with schools on key areas of the formula methodology. Feedback was sought in relation to the following:
- To understand the impact to schools and academy trusts, and the system as a whole, at different level of block transfer upon their budgets. Supporting documentation set out the three main funding formula options for 2024-25 based on mirroring the National Funding Formula factor values and methodologies but with modelling demonstrating the impact of transfers from Schools Block to High Needs Block of 0%, 0.5% and 1.5%.
 - To consider alternatives to the previously utilised hard cap on gains due to the impact seen in 2023-24 and 2022-23 upon some small schools due to formula changes relating to sparsity funding in the 2022-23 NFF.
- 4.4 The consultation responses from schools were relatively low in number (110 of 422 state funded schools in Norfolk were represented) with mixed comments regarding impact on their individual schools (likely to be dependent upon whether they are likely to receive funding gains that would be capped) and whether block transfers were the right way of resolving the high needs funding situation as a whole system.
- 4.5 Schools Forum consider the consultation responses in relation to the block transfer proposals. The result of these considerations were that they, again, supported a 0.5% block transfer from the Schools Block to the High Needs Block. Schools Forum Members were also asked to vote on whether they supported a further block transfer of 1%, with the results demonstrating unanimous support with a vote of 19 to 0 in favour.
- 4.6 These were both difficult recommendations for Members of Schools Forum to make given the impact upon mainstream schools budgets but was taken considering the whole strategic picture of the education landscape in Norfolk. A summary of the relevant consultation responses and Norfolk Schools Forum's considerations can be found within the Forum's publicly available agenda and minutes¹⁰.
- 4.1 The reason for reviewing the use of a hard cap on gains within the formula for Norfolk was due to the significant impact highlighted by some small schools following the implementation of the 2022-23 and 2023-24 formulae, specifically in relation to changes to the sparsity factor in 2022-23. This change was that eligibility for the factor was to be based on road distances instead of straight-line distances, as well as adding a distance taper calculation. This brought a number of small schools into the sparsity allocation for the first time.

⁸ <https://www.schools.norfolk.gov.uk/school-finance/norfolk-schools-forum/forum-agendas-and-papers>

⁹ <https://www.schools.norfolk.gov.uk/school-finance/fair-funding-consultation>

¹⁰ <https://www.schools.norfolk.gov.uk/school-finance/norfolk-schools-forum/forum-agendas-and-papers>

- 4.2 The DfE's MFG/Cap calculation excludes the sparsity amount for the new year budget from the previous year's baseline, i.e., the 2024-25 sparsity value will be excluded from the 2023-24 funding baseline. This is intended to protect schools against significant changes in sparsity value between years. However, this also means that a school becoming eligible for sparsity for the first time has the sparsity amount deducted from its protected baseline, even though it did not receive sparsity in the prior year, and, therefore, the remaining increase is large and likely to be capped under the current hard cap arrangements. This initial cap of the gain continues to affect schools' future years' budgets, even once sparsity has been established, as part of their budget share, producing significant caps on gains for the affected schools.
- 4.3 In previous years, a funding cap has been used in order to enable the LA to mirror the NFF unit values and methodologies whilst making a Schools Block to High Needs Block transfer. As explained above, the caps in recent years have particularly impacted on small rural schools receiving the significant sparsity allocations that they may have been expecting following changes to the sparsity factor calculation as part of the NFF. Per-pupil funding in the local formula was capped at increases of +2.4% for schools in 2023-24 (beyond which no further increase was received by the schools). This means that the large gains expected by those schools have, effectively, become delayed and, potentially, will be spread over a number of years. A similar issue could apply to other factors if/when there are changes in the methodology within the NFF that target additional amounts to specific school types, although sparsity is thought to be the most notable example of this because of the impact of its deduction from the prior year's protected funding baseline.
- 4.4 To resolve this issue for 2024-25 and future years, Schools Forum agreed with the LA that alternative options should be explored, and schools consulted as part of the Fair Funding consultation. These same options were explored ahead of the 2023-24 formula being set, but the response rate from schools had been extremely low and primarily split between being in favour of making a change from those schools affected, with less support from other schools. The low level of response in turn meant that the Schools Forum did not have clear input from both a significant number and wide range of schools / Trusts in order to enable them to make a recommendation on behalf of all mainstream schools and to be able to understand the consequences to schools of their decision. In turn, this meant that the LA concluded that they had no mandate to make a change from the status quo of a hard cap for 2023-24.
- 4.5 Given the growing significant feedback received from affected schools during 2023-24, and the likely ongoing impact of future capping due to potential Block Transfers that may be agreed as part of the DSG recovery plan, it was agreed with Schools Forum to revisit this part of the formula afresh for 2024-25.
- 4.6 The alternative options presented included 'scaling and capping' rather than a 'hard cap', reduction in unit values away from the NFF values, or an application to the Secretary of State for an adjustment to MFG for the affected schools. All options had pros and cons, which were presented, and there would always be 'winners and losers' for each one given the finite resources available.

- 4.7 The schools consultation response was mixed; a high proportion of those schools represented that had had sparsity funding capped in 2023-24 opted for an adjustment to MFG. Depending upon the lens through which the data was viewed (response, schools or pupil numbers), 'scaling and capping' or adjustments to the NFF unit values were ranked second preference. The continuation of a 'hard cap' was the least preferred option whichever way the data was viewed.
- 4.8 The interaction of sparsity factor with the funding cap historically is not something that will apply to all schools, and so Schools Forum were asked to consider the impact on those schools that might be adversely affected, particularly small rural schools, when making their recommendation, and to consider fairness for the mainstream system as a whole, including that not all schools were fully represented by the responses and so the result could be skewed in the favour of those schools directly affected whilst other schools may not have understood the potential impact upon their budgets and so may not have responded.
- 4.9 Each of the options results in different 'winners' and 'losers', as shown in the table below, although it should be borne in mind that all schools will still gain under any option on a like-for-like basis due to the Minimum Funding Guarantee (MFG). Whilst MFG adjustments are considered as an option for dealing with the specific issue of sparsity funding, it should be noted that this would be recognising a very specific set of circumstances relating to the changes to sparsity from 2022-23. To utilise MFG adjustments could risk setting a precedent for the use of MFG adjustments as a way of resolving issues on other funding factor changes in the future, which potentially undermines the fundamental purpose of the MFG and limiting of gains for affordability of the whole formula, and there have been many schools in the past who have not been in receipt of full gains when there have been past formula changes.

Option	What impact this has on the system
MFG Adjustments	<p>A small number of schools will receive very significant gains relating to sparsity funding, but this is, effectively, reducing the gains that other schools would have been due to receive under a hard cap for other formula changes. I.e., sparsity gains this year will be, effectively, prioritised.</p> <p>The effect of this option would be that the impact of the Schools Block to High Needs Block transfer would be shared across all schools with non-sparsity related gains, but sparsity related gains would be protected.</p> <p>One option to minimise this effect and to promote gains through other funding factors, would be to introduce capping & scaling as well as MFG adjustments.</p>
Scaling/ Capping	<p>This option treats all gains equivalently, regardless of the type of factor, in the same way.</p> <p>Those schools awaiting gains from sparsity factor will see these gains coming through quicker than under a hard cap, but</p>

	<p>others will see more gains relating to other factors than would be seen via an MFG adjustment approach.</p> <p>Any schools that meet the sparsity funding requirements for the first time for 2024-25 will receive some benefit but would not do so under the MFG adjustments as they would not be known in time for disapplication requests.</p> <p>The effect of this option would be that the impact of the Schools Block to High Needs Block transfer would be shared across all schools with those with the highest gains, primarily sparsity related ones (and, therefore, small, rural schools), still bearing a greater proportion (though not as high as a hard cap and shared across other schools as well).</p>
Reduce NFF Unit Values	<p>More schools will gain significantly, but the 'cost' of that is borne by a greater number of schools receiving very small increases.</p> <p>The greater spread of gains reflects the 'rebasings' of all formula factors and removal of all capping, regardless of whether the reason for a gain being capped was sparsity or something else.</p> <p>This option most closely reflects the NFF and has the effect of 'resetting' the formula (with MFG protection) with all schools bearing the impact of the Schools Block transfer through all unit values being reduced, which is why a greater number of schools would receive less than 1%. Previous decisions in Norfolk have been to aim to mirror NFF as closely as possible, and this has been done in years when there has been no cap (e.g., 2021/22).</p> <p>The effect of this option is that all schools will experience the impact of the Schools Block to High Needs Block, rather than the impact being weighted towards those that would gain more than the level of the cap % in all other options.</p>

4.10 Responses to this consultation were considered by Norfolk's Schools Forum, along with analysis of the spread of the impact across the school system for the different options. This resulted in Schools Forum recommending to the LA that Norfolk's formula should move away from a hard cap to adjusting all NFF unit values, whilst still meeting the DfE's definition of mirroring the NFF, ensure affordability, treating all unit factors fairly and all schools experiencing a 'fair share' of the impact of the block transfer.

4.11 The DfE have issued updated operational guidance for Notional SEN to LAs and this requires a proactive consideration of the proportion of funding within the Schools Block and individual school budgets. The DfE have provided national data on Notional SEN, with 75% of authorities allocating between 5% and 15% of their Schools Block funding as Notional SEN. In Norfolk, this

percentage is approximately 6.6% currently. Across all authorities, the average is 11.5% which is a significant difference.

- 4.12 Therefore, there is a need to review whether Norfolk's Notional SEN budget should be brought into line with the national average. As part of the autumn term Fair Funding consultation process, schools were asked to provide comments on a recommendation from the LA that, starting in April 2024, we move over a three-year period to align Norfolk with the national average for Notional SEN funding.
- 4.13 There was a very low response rate to this element of the Fair Funding consultation and, therefore, we confirmed to the Schools Forum that we would progress with our recommendation, starting with a 1% change to notional SEN funding as a proportion of whole school mainstream budgets with effect from April 2024.
- 4.14 Therefore, in broad terms we will now require schools to provide evidence that they are using at least 7.6% of delegated funding prior to access 'top-up' support from the LA. This will increase again in the 2025/26 and 2026/27 financial years to align with the national average.
- 4.15 In addition, Norfolk Schools Forum also agreed that a Growth Fund is in place for 2024-25, as per the proposals above, along with agreeing the criteria for accessing the Growth Fund. Additionally, Schools Forum considered whether Norfolk should have a Falling Rolls fund top-sliced from the Schools Block prior to allocation of budgets to schools but were of the view that this was not necessary in Norfolk at the moment based upon the data available.

Early Years

- 2.13 The consultation undertaken in the autumn term was open to all Early Years providers in Norfolk, with the results being discussed by the Early Years Consultative Group prior to seeking School Forum's recommendation on the formula at their November 2023 meeting.
- 2.14 The proposals within this paper are those recommended by Schools Forum following this consultation and engagement and takes into account the significant changes that are taking place with Early Years funding entitlements.
- 2.15 The revisions should result in more equitable sharing of the burden of central support and administration across all age groups whilst also maximising the base rate for all providers and all age ranges by removing the discretionary supplements, a direction of travel agreed and indicated in previous years.
- 2.16 The Government's changes in criteria for EY Pupil Premium and Disability Access Fund will be welcome news for providers as they will be able to receive this funding for all eligible children, rather than just 3-and-4-year-olds as it has been in previous years.

5. Alternative Options

- 5.1 The proposals contained within this report represent the culmination of the process with Norfolk schools, Norfolk's early years providers and with Norfolk's Schools Forum to identify and recommended local formulae to distribute funding for mainstream schools and funded parental entitlement for early years provision. The Council has a responsibility to determine individual school budgets according to local formula, following local consultation with schools, within statutorily set timescales to enable schools to plan accordingly for the next financial year.
- 5.2 At this stage, for mainstream schools funding, Cabinet could decide not to implement a block transfer from the Schools Block to the High Needs Block, or to implement a reduced block transfer. Either option would increase the funding for mainstream schools with the raising or removal of the gains cap and then increases to the factor values, within the DfE's allowable range, may be possible with no block transfer.
- 5.3 However, a decision to reduce or not to implement a block transfer would not be in-line with the DSG recovery plan and 'safety valve' agreement with the DfE unless it was replaced by additional, equivalent NCC funding, which is unaffordable within the current proposed NCC 2024-25 Revenue Budget paper elsewhere on this agenda.
- 5.4 Cabinet could decide upon an alternative methodology for ensuring the affordability of the allocation of the Schools Block to schools, such as retaining a hard cap, as in previous years or moving to a capping and scaling approach. Either of these could be combined with disapplication requests to the Secretary of State for the 2025-26 to adjust the MFG baseline for those schools that are due sparsity gains that have been capped, but this would not have any impact upon the 2024-25 allocations. Any alternative decision would be counter to the recommendation of Schools Forum at their November 2023 meeting and the expectations of schools following that meeting, which could result in some schools experiencing financial difficulties as their budgets would be smaller than they are anticipating whilst also not reflecting that the NFF is recognising that there can be additional costs for schools in sparsely populated communities.
- 5.5 The final option for contributing to affordability would be to reduce the Minimum Funding Guarantee from the proposed level of +0.5% to a lower percentage with a minimum level of 0.0%. This would not fully ensure affordability and so an additional adjustment, such as a cap or unit value adjustment, would also be required. The impact of this would be that some schools could find that they would not be guaranteed a year-on-year increase to their per pupil funding, which is a mitigation to the impact of the block transfer presented to schools when they are consulted. Norfolk has utilised the maximum MFG level of +0.5% for a number of years and a consultation has not been undertaken with schools regarding the option of reducing this, and a proposal to have a lower MFG level may have resulted in a different result regarding the positive votes at Schools Forum on the block transfer. Therefore, a change to this proposal at this stage could result in some schools experiencing unaffected financial difficulties as well as potentially damaging the relationship that the LA has with schools through changing a significant principle of the formula that has been accepted by the Norfolk system for many years.

- 5.6 Within the autumn term consultations with schools, and through discussion at Schools Forum, options were set out to address the issue of Norfolk being below national average for Notional SEN funding. Essentially, the primary alternative option would be that Norfolk could retain the status quo for a further year, to enable schools a full year to benefit from Local First Inclusion programme improvements, prior to moving incrementally to the national average position. This approach is not recommended due to both the low response rate, indicating this is not a significant concern for schools, as well as ensuring that, as a 'safety valve' LA, the national guidance has been adopted.
- 5.7 For the local formula for distribution of funded early years entitlements, Cabinet could choose to implement an alternative option, such as removing discretionary supplements, reducing or removing the additional protection for maintained nursery schools, capping the level of Special Educational Needs Inclusion Funding available, or distributing the supplements differently. However, this would go against the results of the consultation with early years providers and against the expected view of Schools Forum. It would potentially impact upon the financial planning and stability of providers, many of which are small, local businesses contributing to Norfolk's economy, and it would be likely that significant damage would be caused to relationships with both providers and Schools Forum.

6. Financial Implications

- 6.1 The Central Government consulted during 2019-20 on a change to the terms and conditions of the DSG, to provide clarity regarding the responsibility of local authorities for any deficit within the DSG.
- 6.2 The outcome of this consultation and the changes introduced, i.e. that the DSG is a separate ring-fenced grant and that local authorities are not expected to contribute local resources towards it.
- 6.3 The accounting treatment for DSG cumulative deficits, extended by the Government in December 2022 until the end of the 2025/26 financial year, diverges from normal accounting practice and allows councils to carry a negative balance on these reserves. This treatment is being dictated by Government but will need to be kept under review as it potentially remains a significant issue for Norfolk County Council and will result in a material deficit balance in the council's Statement of Accounts until the DSG recovery plan has been delivered.
- 6.4 It should be noted that the Council is effectively 'bank-rolling' the deficit and so there is the impact upon local Council resources of the loss of interest.
- 6.5 As a result of the 'safety valve' agreement with the DfE, NCC has committed to contribute £5.5m pa towards mitigating the deficit for 2024-25, as per 2023-24. This is included in the Revenue Budget paper elsewhere on this agenda.
- 6.6 The detailed financial implications of the proposed decisions are provided throughout the report. In summary, the proposed formulae for distribution of the schools funding and early years parental entitlement funding are intended to provide a fair distribution of the resources available. The proposed High Needs Block budget will result in significant additional deficit to be added to the

existing cumulative deficit, but work is continuing, alongside colleagues from the DfE, to ensure that the DSG recovery plan remains on track to deliver a balanced in-year DSG budget in future years and the repayment of the DSG cumulative deficit.

7. Resource Implications

7.1 Staff: None

7.2 Property: None

7.3 IT: None

8. Other Implications

8.1 Legal Implications:

8.1 The key guidance to, and expectations of, local authorities is contained in the 'Pre-16 schools funding: local authority guidance for 2023 to 2024'¹¹.

8.2 It is each Local Authority's responsibility to determine individual school budgets according to local formulae, following local consultation with schools, within statutorily set timescales to enable schools to plan accordingly for the next financial year. To enable the statutory timescales to be met by the County Council, Cabinet needs to agree the principles of Norfolk's local formulae.

8.3 Human Rights Implications: None

8.4 Equality Impact Assessment (EqIA) (this must be included): There are no direct equality or accessibility implications for this report. However, as part of the councils engagement with the DfE for our 'safety valve' and related 'disapplication request' we were required to provide information within an EqIA context. For that purpose we have stated to the DfE that : 'A central theme to addressing local needs and, in turn the HNB recovery plan, is the development of state funded special school provision. This will ensure that complex needs, ASD and SEMH needs are met directly. In addition, we are expanding specialist resource base provision hosted by mainstream schools. Taken together these additional 500 places will increase choice and reduce travel time for children and young people with SEND.'

8.5 Data Protection Impact Assessments (DPIA): None

8.6 Health and Safety implications (where appropriate): None

8.7 Sustainability implications (where appropriate): None

¹¹ <https://www.gov.uk/government/publications/pre-16-schools-funding-local-authority-guidance-for-2023-to-2024>

8.8 Any Other Implications: None

9. Risk Implications / Assessment

9.1 The key risks that will need to be carefully monitored and managed as the financial year progresses are that:

- Pressures increase, particularly within the High Needs Block, that exceeds the forecast expectations, resulting in increased levels of cumulative deficit of the Dedicated Schools Grant;
- The Local First Inclusion Programme is Norfolk's agreed programme of work, over a six year period, with the DfE as part of their 'safety valve' programme. This is a joint DfE/NCC investment totalling £100m revenue and £25million capital and is dependant up good progress being maintained across the programme of 80 individual projects. We have strong governance arrangements in place to monitor this programme of work including regular reporting to council committee's, Schools Forum and Tri-Annual report to DfE. A full risk register exists and is overseen by dedicated programme management.
- Implementation of projects within the Local First Inclusion transformation are delayed resulting planned support not being in place to enable pupils to remain in mainstream settings or new specialist places are not available, which could result in under- delivery of savings or escalating demand, and thus cost pressures, in 2024-25;
- Independent providers continue to open new provision and / or places at existing provision in excess of budgeted amounts;
- Legacy of the pandemic places schools (mainstream and specialist) and / or early years providers under increased financial strain;
- Pressures experienced by schools due to real term increases in costs outside of their direct control exceeding funding available, for example teacher pension costs, support staff costs as a result of national living wage implementation, condition of premises salaries, impacting on their ability to provide consistent education and to meet the basic needs of pupils in their school;
- Inflation pressures continue to drive up the cost of independent placements as well as costs within mainstream and special schools places or specialist provision exceeding the budgeted assumptions within the plan;
- the review work currently underway to ensure that the recovery plan remains on track does not achieve the desired outcome, resulting in in-year deficits continuing and the cumulative deficit not being repaid.

9.2 Officers will continue to keep the DSG Budget and medium-term plan under close review throughout the financial year, reporting regularly to Cabinet through the monthly Finance Monitoring reports and termly, at least, to Norfolk Schools Forum. Officers will be required to report regularly to the DfE regarding the DSG plans.

9.3 As detailed earlier in the report, the Government has prescribed an accounting treatment for the DSG deficit within the Local Government Finance Policy Statement published in December 2022. However, it should be noted that this

position is not guaranteed and will remain a subject of scrutiny from External Auditors or a change in approach from the Government. If the Council is not able to reduce the DSG cumulative deficit through a combination of the transformation programme, capital investment, high needs allocations and the Safety Valve programme from the DfE, then there remains a risk to the overall financial viability of the whole Council.

- 9.4 When this statutory override expires, there is a high risk that the accumulated DSG deficit will be at or near the level of the Council's total available reserves. In such an event, and if the statutory override were not extended, then the Director of Strategic Finance would need to consider the requirement to issue a section 114 notice as it would potentially not be possible to set a balanced budget either immediately in 2025-26, or in a subsequent year. However, if the Government chooses to extend the statutory override beyond 31 March 2026, the current treatment continues, and this would not become an issue. Nationally, a significant number of other local authorities are in a similar position with a material DSG deficit.
- 9.5 The early years market remains challenging for providers and the risk remains that providers exit the market resulting in lack of sufficiency. Work continues within the LA to pro-actively support providers and to seek to ensure that there is sufficiency within the market. Whilst the increased funding entitlement rates seen since September 2023 through the EY Supplementary Grant and proposed for 2024-25 are welcome to support the mitigation of this risk, providers still report that key cost drivers, such as National Living Wage increase, will continue to put pressure on their business models.

10. Select Committee Comments None

11. Recommendations

To agree:

- (i) the Dedicated Schools Grant funding including:
 - a. the changes to the schools funding formula;
 - b. the changes to the early years funding entitlements formula;
 - c. agreeing the high needs block budget, noting that it has been assessed to meet our statutory duties;
- (ii) to delegate decision making powers to the Executive Director of Children's Services, in conjunction with the Lead Member for Children's Services, to agree the final unit values, whilst still mirroring the National Funding Formula, once the final DSG calculations of individual school allocations are known and in line with the principles of Cabinet's decision.

12. Background Papers

- 12.1 Transforming the system for Special Educational Needs and Disability (SEND) in Norfolk (Item 8, 29 October 2018 Policy and Resources Committee)

<http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/128/ctl/ViewMeetingPublic/mid/496/Meeting/1421/Committee/21/Default.aspx>

12.2 Norfolk Schools Forum agendas and minutes from September 2023, November 2023 and January 2024 meetings

<https://www.schools.norfolk.gov.uk/school-finance/norfolk-schools-forum/forum-agendas-and-papers>

12.3 Dedicated Schools Grant (DSG) Funding (Item 11, 30 January 2023 Cabinet)

<https://norfolkcc.cmis.uk.com/norfolkcc/CalendarofMeetings/tabid/128/ctl/ViewMeetingPublic/mid/496/Meeting/1905/Committee/169/Default.aspx>

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If you need this report in large print, audio, braille, alternative format or in a different language please contact 0344 800 8020 or 0344 800 8011 (textphone) and we will do our best to help.



Appendix A: Historic Block Transfers in Norfolk

2019-20

For 2019-20, Norfolk County Council made such an application (known as a disapplication request) to the Secretary of State to transfer £4.58m from the Schools Block to the High Needs Block in addition to the 0.5% transfer that had been agreed by Norfolk Schools Forum. This application was agreed based upon the business case and strength of evidence presented. This included the capital investment agreed by NCC to significantly increase the number of state maintained special school places and places within specialist resource bases, alongside the transformation programme Children's Services has in place. However, despite this additional funding to the High Needs Block, it was still anticipated that the High Needs Block would have an in-year deficit in 2019-20 that would be combined with the cumulative deficit brought forward from previous years. This is due to the time it would take to achieve the transformation required and increasing demand in excess of growth funding provided through the DSG High Needs Block.

2020-21

For 2020-21, Norfolk County Council decided not to make a disapplication request to the Secretary of State for a Schools Block to High Needs Block transfer in addition to the 0.5% agreed by Norfolk Schools Forum. When the Schools Forum agreed the 0.5% transfer for 2020-21, they requested that the Council did not submit a disapplication request to move any additional funding to enable schools to have the funding to meet the needs of current pupils and to prevent escalation of needs through meeting them, wherever appropriate and possible, at a local level.

As a result of the Schools Forum agreement to the 0.5% transfer, the Council did not submit a disapplication to the Secretary of State to move additional funding from the Schools Block to the High Needs Block for 2020-21, with it stated that the position would need to be reconsidered for 2021-22 and beyond, depending upon the DSG projections.

2021-22

For 2021-22, a disapplication request was submitted to the Secretary of State to move additional funding from the Schools Block to the High Needs Block due to the size of the increasing DSG deficit and based upon the DSG terms and conditions that expects local authorities to look to recover DSG deficits from within the grant. This request was refused by the Secretary of State and so only the 0.5% transfer agreed by Norfolk's Schools Forum from the Schools Block to the High Needs Block has taken place.

2022-23

For 2022-23, a disapplication request was submitted to the Secretary of State to transfer an additional 1%, above the 0.5% agreed by the Schools Forum, from the Schools Block to the High Needs Block due to the size of the increasing DSG deficit and based upon the DSG terms and conditions that expects local authorities to look to recover DSG deficits from within the grant. This request was agreed by the Secretary of State based upon the strength of evidence provided.

2023-24

For 2023-24, a disapplication request was submitted to the Secretary of State, from the Schools Block to the High Needs Block due to the size of the increasing DSG deficit and based upon the DSG terms and conditions that expects local authorities to look to recover DSG deficits from within the grant. This request was agreed by the Secretary of State based upon the strength of evidence provided and in accordance with the Safety Valve plan.

Appendix B: National Funding Formula 2024-25

The DfE announced in their guidance, [Schools operational guide: 2024 to 2025 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/schools-operational-guide-2024-to-2025), that the following changes will be made to the 2024-25 National Funding Formula:

- Introducing a new formulaic approach to allocating split sites funding in the NFF in 2024 to 2025, replacing the previous locally determined split sites factor.
- Rolling the 2023-24 Mainstream Schools Additional Grant into the NFF 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 NFF;
 - 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.
- Increasing NFF factor values (on top of the amounts added for the Mainstream Schools Additional Grant) by:
 - 2.4% to the following factors: basic entitlement, low prior attainment (LPA), FSM6, income deprivation affecting children index (IDACI), English as an additional language (EAL), mobility, sparsity and the lump sum;
 - 2.4% to the minimum per pupil levels (MPPL)
 - 1.6% to the free school meals (FSM) factor value
 - 0% on the premises factors, except for: (i) Private Finance Initiative (PFI) which has increased by Retail Prices Index excluding mortgage interest payments (RPIX) which is 10.4% for the year to April 2023 and (ii) split sites funding which has been formularised.
- Introducing, for the first time, a methodology for calculating and allocating funding for falling rolls
- Minimum Funding Guarantee - Local authorities have the freedom to set the MFG in their local formulae between +0.0% and +0.5% per pupil (no change from 2023/24)
- Through the minimum per pupil funding levels, every primary school will receive at least £4,405 per pupil, and every secondary school at least £5,715;

There will be a separate pay grant for teachers' pay made to cover pay increases in 2023 to 2024 and 2024 to 2025. Further details on the TPAG can be found at [teachers' pay additional grant: 2023 to 2024](https://www.gov.uk/government/publications/teachers-pay-additional-grant-2023-to-2024).

NFF Factor Values

The DfE's NFF funding values for 2024-25, are shown below along with the current 2023-24 formula for comparison.

Funding Factor	2023-24 Formula £ NFF unit rates	2024-25 Formula £ NFF unit rates
Age Weighted Pupil Unit		
Primary	3,394	3,597
Key Stage 3	4,785	5,072
Key Stage 4	5,393	5,717
Minimum Per Pupil Funding		
Primary	4,405	4,655
Secondary	5,715	6,050
Additional Needs Funding		
Primary FSM	480	490
Secondary FSM	480	490
Primary FSM6	705	830
Secondary FSM6	1,030	1,210
Primary IDACI A	670	685
Primary IDACI B	510	520
Primary IDACI C	480	490
Primary IDACI D	440	450
Primary IDACI E	280	285
Primary IDACI F	230	235
Secondary IDACI A	930	950
Secondary IDACI B	730	750
Secondary IDACI C	680	695
Secondary IDACI D	620	635
Secondary IDACI E	445	455
Secondary IDACI F	335	345
Low Prior Attainment		
Primary LPA	1,155	1,185
Secondary LPA	1,750	1,790
EAL		
Primary EAL	580	595
Secondary EAL	1,565	1,605
Mobility		
Primary Mobility	945	970
Secondary Mobility	1,360	1,395
Lump Sum		
Primary Lump Sum	128,000	135,700
Secondary Lump Sum	128,000	135,700
Sparsity		
Primary Sparsity	56,300	57,700
Secondary Sparsity	81,900	83,900
Split Sites (NEW)		

Basic Eligibility	No NFF value	54,300
Distance Funding	No NFF value	27,100

Progress towards a Direct National Funding Formula

Following last year's consultation on implementing the direct national funding formula, the DfE confirmed that it will continue to move forward with its plans to implement a direct NFF, whereby funding will be allocated directly to schools based on a single, national formula.

As set out in the consultation response, available here [Implementing the direct national funding formula - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/Implementing-the-direct-national-funding-formula), the DfE are taking a gradual approach to transition to avoid any unnecessary or unexpected disruption to schools. This transition towards the direct NFF began in 2023-24 and will continue in 2024-25. In particular:

- Local authorities must move their local formula factor values at least a further 10% closer to the NFF, except where local formulae are already “mirroring” the NFF. For this purpose, local factor values within 2.5% of the respective NFF values are deemed to be “mirroring” the NFF. The DfE have published the allowable factor values for 2024-25 following the tightening requirements for each local authority here: [Pre-16 schools funding: local authority guidance for 2024 to 2025 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/Pre-16-schools-funding-local-authority-guidance-for-2024-to-2025). Norfolk's allowable factor values are also provided in Appendix B of this paper.
- Local authorities must use the new national formulaic approach to split sites funding. This will replace the current local authority-led approach.
- Local authorities must use the new NFF requirements for growth funding, whereby additional classes (driven by basic need) must be funded by at least the minimum funding level set out in the funding calculation.
- Local authorities must also follow the new NFF requirements for falling rolls funding, whereby local authorities can only provide falling rolls funding to schools where school capacity survey (SCAP) data shows that school places will be required in the subsequent three to five years. The restriction that schools must be judged Good or Outstanding at their last Ofsted inspection to be eligible for funding is also being removed from 2024-25.

2023-24 was the first year of transition to the direct schools NFF, with the end point by 2027-28 at the latest being a system in which every mainstream school in England is funded through the same national formula without adjustments through local funding formulae.

In 2023-24, local authorities will only be allowed to use NFF factors in their local formulae, and must use all NFF factors, except any locally determined premises factors. Local authorities will also be required to move their local formulae factors

10% closer to the NFF values, compared to where they were in 2022-23, unless they are already mirroring the NFF.

To aid the transition, the DfE published the acceptable factor value range for each local authority. The range for Norfolk for 2024-25 is shown in the table below:

Factor	2024-25 NFF Factor Values (£)	2024-25 Minimum Factor Values for Norfolk (£)	2024-25 Maximum Factor Values for Norfolk (£)
Primary basic entitlement	£3,597.00	£3,507.08	£3,686.93
KS3 basic entitlement	£5,072.00	£4,945.20	£5,198.80
KS4 basic entitlement	£5,717.00	£5,574.08	£5,859.93
Primary FSM	£490.00	£477.75	£502.25
Secondary FSM	£490.00	£477.75	£502.25
Primary FSM6	£830.00	£809.25	£850.75
Secondary FSM6	£1,210.00	£1,179.75	£1,240.25
Primary IDACI F	£235.00	£229.13	£240.88
Primary IDACI E	£285.00	£277.88	£292.13
Primary IDACI D	£450.00	£438.75	£461.25
Primary IDACI C	£490.00	£477.75	£502.25
Primary IDACI B	£520.00	£507.00	£533.00
Primary IDACI A	£685.00	£667.88	£702.13
Secondary IDACI F	£345.00	£336.38	£353.63
Secondary IDACI E	£455.00	£443.63	£466.38
Secondary IDACI D	£635.00	£619.13	£650.88
Secondary IDACI C	£695.00	£677.63	£712.38
Secondary IDACI B	£750.00	£731.25	£768.75
Secondary IDACI A	£950.00	£926.25	£973.75
Primary EAL3	£595.00	£580.13	£609.88
Secondary EAL3	£1,605.00	£1,564.88	£1,645.13
Primary LPA	£1,185.00	£1,155.38	£1,214.63
Secondary LPA	£1,790.00	£1,745.25	£1,834.75
Primary mobility	£970.00	£945.75	£994.25
Secondary mobility	£1,395.00	£1,360.13	£1,429.88
Primary lump sum	£135,700.00	£132,307.50	£139,092.50
Secondary lump sum	£135,700.00	£132,307.50	£139,092.50
Primary sparsity	£57,700.00	£56,257.50	£59,142.50
Secondary sparsity	£83,900.00	£81,802.50	£85,997.50
Middle-school sparsity	£83,900.00	£10,190.00	£85,997.50
All-through sparsity	£83,900.00	£10,190.00	£85,997.50
Split sites basic eligibility funding	£54,300.00	£52,942.50	£55,657.50
Split sites distance funding	£27,100.00	£26,422.50	£27,777.50

Appendix C: Minimum Funding Guarantee

Minimum Funding Guarantee (MFG) is a mandatory part of the funding formula which protects schools against reductions in the overall level of funding received through the pupil-led factors of the funding formula. It may also provide a minimum increase to the level of funding per-pupil depending on the level of MFG set by the LA within the DfE's allowable range. In 2024-25, LA's will be able to set the level of MFG between 0% and +0.5%. It is proposed that Norfolk should use the maximum value of +0.5% to ensure per-pupil gains for all schools.

A calculation of MFG is required for each individual school comparing per-pupil funding in the current financial year (2023-24) and in the new year being calculated (2024-25) through the funding formula.

Excluding the school-led factors of lump sum, sparsity, rates, and amalgamation protection if applicable, the remaining funding allocated to a school based on pupil-led factors cannot reduce on a per-pupil basis with the MFG set at 0% or higher. With MFG set at +0.5%, the level of per-pupil funding must increase for all schools by at least 0.5% between years. Where required, MFG funding to ensure this minimum level is met is added as a separate line into a school's budget share.

It is important to understand that whilst the level of funding per-pupil is protected via the MFG, a school's funding can still reduce in total where the number of pupils has reduced between years. Also, the MFG provides for a minimum per-pupil increase (if set above 0%), but there is no limit to the amount that a school can gain unless a funding cap is also applied.

A funding cap may be used if the overall formula being used is not affordable within the total DSG allocation received once all funding factors have been calculated for schools and all protections have been applied. Or an alternative approach is to reduce funding factor values to the amount that can be afforded, whilst still mirroring the National Funding Formula (the DfE defines 'mirroring' as being within 2.5% of their published NFF factor values). A good example of when either a cap or reduced funding values would be necessary is when a Schools Block to High Needs Block transfer is made, which reduces the overall amount of funding available to distribute to schools via the funding formula.

A cap calculation works in the same way as an MFG calculation. The minimum protection from MFG still applies, but with a cap in place there is then a restriction on the maximum level of per-pupil gains. This means that a gain that is above the cap % value set by the LA will produce a negative adjustment on the budget share to offset some of the overall gains. This will never result in a budget share that doesn't meet the MFG requirements or the Minimum Per-Pupil Levels (£4,655 per-pupil and £6,050 per-pupil in 2024-25 for primary and secondary pupils respectively).

All MFG and cap calculations are calculated and validated through the DfE's Authority Proforma Tool prior to submission of schools' budgets to the DfE.