

Agenda Item 5

Schools Funding Update 2023/24 - Mainstream Schools

This is an update paper to the Schools' Forum on the affordability of continuing to adopt the National Funding Formula (NFF) in 2023/24. The Local Authority (LA) is currently finalising the Authority Proforma Tool (APT), which is used to determine mainstream schools budgets for 2023/24 using the latest October 2022 schools census data. This is before submitting the APT to the Department for Education (DfE) for compliance checks by 20 January 2023. The LA is able to provide an update to the affordability position of the NFF in 2023/24, although noting validation work is still taking place at the time of writing this update, but the position is not expected to be materially different from what is being presented below.

The fundamental principles of the Government's NFF are not changing for 2023/24. The 20 January 2021 Executive Councillor decision (I021123) remains in place to adopt the NFF including measures taken to address the affordability issue. The main reason that causes Schools block affordability challenges relates to the Government's application of lagged funding arrangements for LA Schools block funding for pupil-led factors (i.e. the DfE uses the October 2021 schools census). The LA is required to fund mainstream schools 2023/24 budgets using the latest schools census (October 2022).

When comparing to pre-pandemic data from the October 2019 schools census, Lincolnshire has seen significant growth since then in the recorded Free School Meals eligibility showing the impact the Covid-19 pandemic had on families. Reflecting on the 2022/23 position, Lincolnshire were able to adopt the NFF factors and monetary values in full, and affordability of the formula was addressed through reducing the Schools Growth funding budget within the Schools block; continue to apply a positive Minimum Funding Guarantee of +0.5% in per pupil protection, and a budget transfer from available funding within the Central Schools Services block.

For 2023/24, the policy decision is to continue adopting the Government's NFF, subject to affordability. The October 2022 schools census which is used for 2023/24 mainstream schools budgets has continued to see significant growth in both FSMs and FSMs Ever 6 with the cost of living challenges being a contributing factor to this. The increase in the recorded FSMs eligibility is 8.10% and 14.38% for primary and secondary schools respectively when comparing to the October 2021 schools census¹. The FSMs and FSM Ever 6 additional costs to the Schools block is £2.305m. Prior attainment formula factor is also an additional cost of £0.953m.

The additional costs have been partly offset by a reduction in the funding required for schools to ensure they are funded at the minimum per pupil funding levels and MFG (£0.697m). There are 43 schools receiving this minimum per pupil funding in 2023/24 (28 fewer from 2022/23), and 30 schools receiving MFG.

¹ Comparing the FSMs recorded on the October 2019 schools census to the latest census, the primary sector eligibility has increased by 55% and secondary schools eligibility by 70%. The schools population has only grown by 2% in this period.

The affordability gap shortfall is £2.656m to adopt the NFF in its entirety including a 0.5% MFG (MFG). The LA is unable to set an affordable formula and with limited time to consult², the LA will therefore continue to adopt the same principles for 2023/24 when addressing affordability issues of the Schools block.

The following steps are planned to be taken:

1. To reduce the Schools Growth funding budget within the Schools block from £3.437m (funded by central Government through a formulaic allocation using prior school level growth data) to £1.503m. The remaining budget will meet the financial commitments for planned primary and secondary reorganisations (in accordance with the LA's policies) in 2023/24 to ensure the LA fulfils its statutory duty of provide sufficient school places for pupils in Lincolnshire. The budget movement to fund the NFF is £1.934m.
2. A budget transfer to the Schools block of £0.495m from available funding from within the Central Schools Services block relating to historic commitments funding. The historic commitments category of funding will continue to reduce³ in line with the DfE expectations that contracts are starting to have reached their natural conclusion. The central schools broadband budget contract reached its natural conclusion in October 2022, and schools are responsible for arranging provision and meeting this cost going forward. No financial commitments are placed against this available funding in 2023/24, therefore a budget transfer to the Schools block of £0.495m can take place.

Movement of budgets from the Central Schools Services block to any other block are not subject to any limit and can be made in consultation with the Schools' Forum. The LA is to seek support of the Schools' Forum for this transfer to take place.

3. The remaining shortfall of £0.227m is planned to be addressed through a downward adjustment of 0.075% of the Key Stage Age Weighted Pupil Unit (AWPU) values⁴ from the Government's NFF rates in 2023/24. This change is reflected in the table below.

Table 1

| Sector | Government NFF rate (AWPU) | Lincolnshire Proposed Rate (AWPU) | Monetary Change |
|-------------|----------------------------|-----------------------------------|-----------------|
| Primary | £3,394.00 | £3,391.45 | -£2.55 |
| Key Stage 3 | £4,785.00 | £4,781.41 | -£3.59 |
| Key Stage 4 | £5,393.00 | £5,388.96 | -£4.04 |

For the purposes of the DfE's tightening criteria to move all LAs to the hard NFF, local factor values within 2.5% of the respective NFF values are deemed to be mirroring the NFF, this means that LA's such as Lincolnshire can establish their NFF values for

² The DSG settlement was published by the DfE on the 16 December 2022.

³ A 20% reduction in funding from the 2022/23 baseline has taken place.

⁴ All Lincolnshire mainstream schools receive AWPU funding for each child on roll at the time of the latest October school census.

2023/24 anywhere within the +/- 2.5% range. The LA consider a sector-wide solution to be the preferred approach in Lincolnshire to manage the final affordability gap of the 2023/24 funding formula for mainstream schools. The AWPU is proposed to be -0.075% below the Government NFF values, as outlined in Table 1. The impact at an individual school level is low through using the AWPU factor, and across both sectors it is on average 0.04% below the Government's NFF levels when comparing a schools overall budget. The LA consider it to be the fairest approach. The minimum per pupil funding levels and MFG will still remain in place within the formula to provide protection to schools. The decision will be subject to approval by Cllr Bradwell, Executive Councillor for Children's Services, Community Safety, Procurement and Migration.

Another option available to the LA was to apply a percentage gains ceiling cap to schools per pupil gains, which was a mechanism the DfE used to incrementally introduce the NFF due to affordability purposes. This does have its disadvantages for those schools impacted, particularly where schools have seen an increase in pupil deprivation levels, such as Free School Meal eligibility, therefore this option was not considered further. The downward adjustment to the MFG from +0.5% to 0% would see only a negligible saving to the overall funding formula.

In summary, the LA plan to adopt the NFF factors and monetary values in 2023/24 except for a 0.075% downward adjustment to the AWPU NFF rates in the primary and secondary sectors. The key updates to the NFF in 2023/24 are as follows:

- Free School Meals Ever 6 (FSM6) and IDACI factors will increase by 4.3%.
- AWPU values will increase by 2.3% in monetary value.
- All other key formula factors will increase by 2.4% in monetary value.
- A positive minimum funding guarantee of +0.50% per pupil protection. The MFG range is between +0.0% and +0.5% per pupil in 2023/24.
- No gains ceiling cap.
- The minimum per pupil funding levels will be set at £4,405 for primary schools and £5,715 for secondary schools.
- Schools Supplementary Grant funding that schools received as a separate grant in 2022/23 will be rolled into the NFF in 2023/24 including the funding being added into the schools 2022/23 baseline funding for MFG purposes.
- Continuation of the 'prior' methodology for the payment of Non-Domestic rates.

Conclusion

For 2023/24, the policy decision is to continue adopting the Government's NFF, subject to affordability. The LA has been unable to set an affordable formula and with limited time to consult, the LA will therefore continue to adopt the same principles for 2023/24 when addressing affordability issues of the Schools block. These include utilisation available Schools Growth funding and Central Schools Services block budgets.

The final amendment includes the 0.075% downward adjustment to the AWPU NFF rates in the primary and secondary sectors. Local factor values within 2.5% of the respective NFF values are deemed to be mirroring the NFF, this means that LA's such as Lincolnshire can

establish their NFF values for 2023/24 anywhere within the +/- 2.5% range. The recommendation to downward adjust the AWPU NFF rates remains within this range.

Recommendations

The Schools' Forum is asked to:

- (1) support the Central Schools Services block transfer of £0.495m to the Schools block,
and
- (2) support the approaches to addressing affordability through the Schools Growth funding, and the AWPU funding being -0.075% below the Government NFF values when adopting the NFF for 2023/24.

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