

Agenda Item 4

National Funding Formula for Schools - Update for 2024/25 (Schools' Forum)

Summary

The purpose of this report is to provide the Schools' Forum with an update relating to the National Funding Formula (NFF) for mainstream schools following an announcement by the Department for Education (DfE) regarding an error made by DfE officials during the initial calculations of the NFF for 2024/25.

Background

The DfE published the Schools Revenue Funding 2024/25 Operational Guidance and the provisional Dedicated Schools Grant (DSG) allocations for 2024/25 in July 2023. In September, DfE officials identified an error during the initial calculations of the NFF for 2024/25. Specifically, there was an error in forecast pupil numbers, which means the overall cost of Core Schools Budget would be 0.62% greater than funding available. The letter from the DfE regarding this announcement is attached in Appendix B of this report.

School Funding Announcements

The DfE contacted all Local Authorities (LAs) on 6 October 2023 advising of the error and stated this would be corrected by issuing new NFF values at a lower rate. No other changes have been made to the structure of the NFF, or the rules governing the local formulae. The total amount of funding in the core schools budgets (which includes funding through the schools NFF, high needs NFF and Central Schools Services Block) will remain at £59.6bn (as reported at Schools' Forum on 5 October 2023).

The total core schools budget of £59.6bn in 2024/25, will continue to include the additional funding for Teachers' Pay Additional grant (TPAG) to fund the teachers' pay award, providing an additional £482.5m in 2023/24 and £827.5m in 2024/25 (separate to the NFF).

Funding through the mainstream schools NFF is **increasing by 1.9% per pupil in 2024/25** compared to 2023/24, this is a reduction of 0.8% per pupil compared to the initial NFF publication of 2.7% per pupil in July 2023.

	£ Bn	2022/23	2022/23	2023/24	2024/25
Spending Review 2019		49.80	52.20	52.20	52.20
Spending Review Settlement for 2022/23			1.60	3.10	4.60
		49.80	53.80	55.30	56.80
Autumn Statement 2022 (pay and utilities)				2.00	2.00
TPAG - teachers' pay announcement				0.48	0.83
				57.78	59.63

The high needs NFF, Early Years NFF and Central Schools Services Block NFF are unaffected by this update.

Revised provisional allocations for 2024/25 are detailed in the table below:

Block	Lincolnshire (£m)
Schools block	577.963 ¹
Central School Services block	4.718
High Needs block	130.665
Total	713.346
Early Years block	TBC

This revised provisional allocation for 2024/25 has reduced by £5.218m compared to the previously reported schools block allocation (£583.181m).

Schools block

The methodology for the calculation of the Schools block remains unchanged in that schools' notional allocations are aggregated under the NFF as separate per pupil amounts for the primary and secondary sector. The unit values for Lincolnshire for 2024/25 have been updated as per the table below. The primary and secondary ranked positions for Lincolnshire continue to remain fairly static from a national context for 2024/25. The secondary unit of funding remains below the England national average, as a result of the indices being used:

	Lincolnshire's Unit of Funding	England National Average	Difference	Rank
2023/24				
Primary	£4,933	£5,014	-£81	103
Secondary	£6,216	£6,542	-£326	54
2024/25				
Primary	£5,278	£5,281	-£3	104
Secondary	£6,552	£6,879	-£327	56
Difference				
Primary	£345	£267	£78	1
Secondary	£336	£337	-£1	2

For 2024/25, the School block primary unit of funding has reduced by £49, and the secondary unit of funding has reduced by £59.

The updated Schools Revenue Funding 2024/25 Operational Guide is available on the below link:

[Schools operational guide: 2024 to 2025 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/1141142/schools-operational-guide-2024-to-2025.pdf)

Updates to the Schools block following the announcements by the DfE on 6 October 2023 are detailed below:

- Free School Meals factor will continue to increase by 1.6%, in line with GDP deflator forecast for 2024/25

¹ Excludes Schools Growth funding. Includes £18.813m from the Mainstream Schools Supplementary Grant for 2022/23.

- All other formula factors in the NFF will increase by 1.4% (a reduction of 1.0%)

Appendix A provides a funding comparison of the NFF factors from 2023/24 to 2024/25.

In light of the LA plans to continue adopting the NFF in 2024/25; the support received from the sector for this decision from previous consultations (since 2018/19); the minor DfE refinements to the NFF for next year including incorporating mainstream grant additional funding into the NFF; formula factor monetary value increases by defined percentages, and the time practicalities on consulting with schools on the impact of affordability changes and prior feedback from schools on solutions, the LA continues to conclude at this point in time that a schools consultation will not be required for mainstream schools funding in 2024/25.

Conclusions

Although funding levels continue to increase from prior year, the reduction in this increase following the updated position will put additional pressures on schools to manage their budgets. The LA will continue to monitor the position for the county's schools.

Next Steps

The LA has received a revised draft version of the APT that includes October 2022 census data and revised formula factor values to enable officers to undertake additional financial modelling of school budgets to fully understand the impact of the funding announcements detailed in this paper.

At its October meeting Schools' Forum agreed with the LAs proposal that a consultation with schools was not required for mainstream schools funding in 2024/25, as the LA plans are to continue adopting the NFF.

A final version of the APT will be released in December 2023. This tool will include October 2023 census information and will be used to calculate school budget shares for 2024/25. The Schools' Forum will be updated on the affordability position of the NFF in the January 2024 meeting. The APT will be submitted to the ESFA by 22 January 2024 for compliance purposes.

School budget shares must be published by 29 February 2024.

Consultation

a) Risks and Impact Analysis

The affordability of the Schools block in adopting the NFF for 2024/25 will be considered through the financial modelling and completion of the December APT that contains the latest schools census information. The LA would favour adopting the same approach and principles, if affordability issues arose for the NFF in 2024/25.

Appendices

These are listed below and attached at the back of the report	
Appendix A	NFF for Schools - Update for 2024/25
Appendix B	Letter from Secretary of Education

Background Papers

The following background papers as defined in the Local Government Act 1972 were relied upon in the writing of this report.

Document title	Where the document can be viewed
Implementing the Direct National Funding Formula – Government consultation outcomes	<u>Report Reference: (moderngov.co.uk)</u>
School Funding Arrangements 2023/24	<u>Report Reference: (moderngov.co.uk)</u>

This report was written by Elizabeth Bowes, who can be contacted on 01522 554905 or elizabeth.bowes@lincolnshire.gov.uk

Funding comparison of the NFF factors from 2023/24 to 2024/25

	Description	2023/24 Rates		2024/25 Rates *		Percentage Change	
		Amount Per Pupil	Amount Per Pupil	Amount Per Pupil	Amount Per Pupil	Primary	Secondary
1) AWPU	Primary (Years R-6)	£3,394		£3,562		1.4%	
	Key Stage 3 (Years 7-9)	£4,785		£5,022		1.4%	
	Key Stage 4 (Years 10 - 11)	£5,393		£5,661		1.4%	
	Description	Primary amount per pupil	Secondary amount per pupil	Primary amount per pupil	Secondary amount per pupil	Primary	Secondary
2) Deprivation	FSM	£480	£480	£490	£490	1.6%	1.6%
	FSM Ever 6	£705	£1,030	£820	£1,200	1.4%	1.4%
	IDACI Band F	£230	£335	£235	£340	1.4%	1.4%
	IDACI Band E	£280	£445	£285	£450	1.4%	1.4%
	IDACI Band D	£440	£620	£445	£630	1.4%	1.4%
	IDACI Band C	£480	£680	£485	£690	1.4%	1.4%
	IDACI Band B	£510	£730	£515	£740	1.4%	1.4%
	IDACI Band A	£670	£930	£680	£945	1.4%	1.4%
3) English as an Additional Language (EAL)	EAL 3 Primary	£580		£590		1.4%	
	EAL 3 Secondary		£1,565		£1,585		1.4%
4) Mobility	Pupils starting school outside of normal entry dates	£945	£1,360	£960	£1,380	1.4%	1.4%
5) Prior Attainment	Primary Low prior attainment	£1,155		£1,170		1.4%	
	Secondary pupils not achieving (KS2 English or Maths)		£1,750		£1,775		1.4%
6) Lump Sum		£128,000	£128,000	£134,400	£134,400	1.4%	1.4%
7) Sparsity		£56,300	£81,900	£57,100	£83,000	1.4%	1.4%
Minimum Per Pupil Funding Level		£4,405	£5,715	£4,610	£5,995	1.4%	1.4%
Minimum Funding Floor		0.5%	0.5%	0.5%	0.5%		
Minimum Funding Guarantee		+0.0% - +0.5%		+0.0% - +0.5%			

* 2024/25 NFF monetary values include the 2023/24 mainstream schools additional funding allocations before the application of the percentage increase outlined above:

- Primary basic per-pupil £119
- Key stage 3 (KS3) basic per-pupil £168
- Key stage 4 (KS4) basic per-pupil £190
- Primary FSM6 per-pupil £104
- Secondary FSM6 per-pupil £152
- Lump sum £4,510
- £143, £186 and £208 to the minimum per pupil funding levels for primary, KS3 and KS4 respectively.

A schools baseline funding for 2023/24 will incorporate the mainstream schools additional funding grant funding allocations for Minimum Funding Guarantee purposes.



Permanent Secretary

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Robin Walker MP
Chair, Education Select Committee
SENT VIA EMAIL

6 October 2023

Dear Robin,

National Funding Formula Update

I am writing to inform you that we will be updating the schools national funding formula (NFF) for 2024-25 later this afternoon.

We published the schools NFF for 2024-25 in July. However, we have uncovered an error made by DfE officials during the initial calculations of the NFF. Specifically, there was an error processing forecast pupil numbers, which means that the overall cost of the Core Schools Budget would be 0.62% greater than allocated. We will therefore be issuing new NFF allocations to correct that error while continuing to deliver, in full, the £59.6bn Core Schools Budget that has been promised.

I apologise for this error. The Secretary of State has asked me to conduct a formal review of the quality assurance process surrounding the calculation of the NFF, with independent scrutiny. Improvements have already been identified to ensure similar mistakes are not repeated in the future.

The recalculation of funding does not affect the total amount we plan to spend in the Core Schools Budget in 2024-25 - which includes funding for mainstream schools, and funding for high needs. It will remain at £59.6bn in 2024-25, the highest ever in real terms per pupil. This is a percentage increase from 2023-24 of 3.2%, and will properly fund the teacher pay increase agreed in 2023.

The recalculated funding is at record levels, at an average of £5,300 per primary school pupil and £6,830 per secondary school pupil in 2024-25, up from £5,200 and £6,720 respectively in 2023-24. The 2024-25 high needs NFF allocations (which fund provision for children with complex SEND) are unaffected, as are other funding streams outside the NFF, including the Teachers' Pay Additional Grant announced in the summer.

Schools have not yet received their 2024-25 funding – so the correction of this error does not mean adjusting any funding that schools have already received. Likewise, the error will not impact on the publication of the Dedicated Schools Grant (DSG) in December, or when schools will receive their final allocations for 2024-25.

Nevertheless, we recognise that the correction of this error will be difficult for local authorities and frustrating for some school leaders, which is why the Department has worked as quickly as possible to rectify the error. We will work closely with school stakeholders, including unions, to communicate this change and support schools and local authorities.

The documents which will be updated and replaced with new versions today are:

- The policy document for the 2024-25 NFF, which is available on: [National funding formula for schools and high needs - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/policies/national-funding-formula-for-schools-and-high-needs)
- The “national funding formula: summary table”, and the “impact of the schools NFF” tables, published on: [National funding formula tables for schools and high needs: 2024 to 2025 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/tables/national-funding-formula-tables-for-schools-and-high-needs-2024-to-2025)

I expect you will have further questions on the re-publication of the NFF once it has been issued, and look forward to discussing them with you in due course.

Again, I would want to express my sincere apologies that this error has occurred, and reassure you that rigorous measures are being put in place to ensure that it will not be repeated.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'S Acland-Hood', written in a cursive style.

**SUSAN ACLAND-HOOD
PERMANENT SECRETARY**