



Open Report on behalf of Heather Sandy, Executive Director - Children's Services

Report to:	Lincolnshire Schools' Forum
Date:	05 October 2023
Subject:	National Funding Formula for Schools - Update for 2024/25

Summary:

The purpose of this report is to provide a summary of the updates from the Department for Education (DfE) relating to the national funding formula for schools, central schools services, high needs and early years for 2024/25.

Recommendation(s):

Schools' Forum is asked to note the content of the report, and to comment on the steps to ensure the national funding formula is affordable.

Background

The Government first introduced the national funding formula (NFF) in 2018/19 for mainstream schools, its purpose was to create consistency in funding across all schools nationally ensuring a fairer settlement for each school. Since its introduction, Local Authorities (LAs) have continued to be responsible for agreeing and calculating schools funding allocations however, LAs were strongly encouraged to move to the NFF arrangements so that schools' allocations were on a sensible trajectory towards the 'hard' formula, subject to floors and ceilings due to a re-distribution of funding nationally.

In 2020/21, the Government made available sufficient funding to LAs to replicate the NFF so that all schools would attract at least their full allocations under the formula. In 2021/22, the Government made further refinement to the NFF, which the LA consulted with the sector on to continue adopting the NFF (I021123). As part of the transition to the 'hard' formula all LAs were required to bring their own formula factor values 10% closer to the NFF in 2023/24. This has seen a further increase in LAs who are now mirroring the NFF, 106 out of 150 LAs mirrored¹ the NFF in 2023/24 (78 LAs mirrored the NFF in 2022/23). Lincolnshire is one of those LAs. Since the introduction of the NFF in 2018/19, Lincolnshire has adopted the Government's NFF due to the increased per pupil funding

¹ Formula Factor values within 2.5% of the respective NFF values are deemed to be 'mirroring' the NFF.

levels that have been received. It currently remains the LA decision on setting its schools funding formula within the DfE’s funding framework.

In 2023/24, Lincolnshire continued to adopt the monetary values of the NFF factors, however due to the significant increase in Free School Meals (FSMs) recorded on the October 2022² census resulting from the pandemic, as LAs are expected to finance this increase through their Schools block allocation, Lincolnshire undertook three steps in order to ensure the affordability of the NFF:

- Reduction of the Schools Growth funding budget by £1.934m whilst still ensuring the LA fulfils its statutory duty of providing school places for pupils in Lincolnshire.
- A budget transfer of £0.495m from available funding within the Central Schools Services block.
- A downward adjustment of 0.075% of the Key Stage Age Weighted Pupil Unit (AWPU) values from the Government’s NFF rates

These measures of addressing affordability of the NFF were formally approved (I028812).

School funding announcements

As part of the spending review the Government announced in 2021, the 2023/24 national school funding levels would rise by £1.5bn to £55.3bn or a 1.9% increase in per pupil funding, with a further rise of £1.5bn to £56.8bn in 2024/25. The Autumn 2022 statement announced a further £2bn increase in funding in each of 2023/24 and 2024/25 to respond directly to increasing costs faced by schools with the 2023/24 allocated through a separate grant outside of the NFF (Mainstream Schools Additional Funding Grant).

On 17 July 2023, the Government announced its funding intentions for 2024/25 including publication of the Schools Revenue Funding 2024/25 Operational Guidance and the provisional Dedicated Schools Grant (DSG) allocations for 2024/25.

The total core schools budget will total £59.6bn in 2024/25. This includes 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. Funding through the mainstream schools NFF is increasing by 2.7% per pupil in 2024/25 compared to 2023/24.

	£ 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

² 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 the same period

For 2024/25, the DSG will continue to comprise of four blocks – Schools block, Central School Services block, High Needs block, and Early Years block.

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

Block	Lincolnshire (£m)
Schools block	583.181 ³
Central School Services block	4.718
High Needs block	130.665
Total	718.564
Early Years block	TBC

Schools block

Schools block allocations are calculated by aggregating schools' notional allocations under the NFF. Schools block allocations are expressed as a separate per pupil primary and secondary rate for each LA. The primary and secondary ranked positions for Lincolnshire have remained fairly static from a national context for 2024/25, although the primary unit of funding has moved close to the England national average. The secondary unit of funding remains below the England national average, as a result of the indices being used:

2023/24	Lincolnshire's Unit of Funding	England National Average	Difference	Rank
Primary	£4,933	£5,014	-£81	103
Secondary	£6,216	£6,542	-£326	54
2024/25				
Primary	£5,327	£5,325	£2	104
Secondary	£6,611	£6,936	-£325	56
Difference				
Primary	£394	£311	£83	2
Secondary	£395	£394	£1	0

The 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/118112/schools_operational_guide_2024_to_2025.pdf)

Information within the guidance in relation to the Schools block confirms:

- LAs will continue to set the local schools funding formula for 2024/25.
- Following consultations on completing the reforms to the 'hard' NFF, for 2024/25 those LAs not mirroring the NFF must move their local formula factors 10% closer to the NFF. This will not impact Lincolnshire as the LA are already mirroring the NFF.
- Free School Meals factor will increase by 1.6%, in line with GDP deflator forecast for 2024/25
- All other formula factors in the NFF will increase by 2.4%.

³ Excludes Schools Growth funding. Includes £18.813m from the Mainstream Schools Supplementary Grant for 2022/23.

- The minimum per pupil funding levels will be set at £4,655 for primary (currently £4,405) and £6,050 for secondary schools (currently £5,715)⁴.
- Every school through the NFF will be allocated at least 0.5% more pupil-led funding per pupil compared to their 2023/24 NFF baseline, i.e. the Minimum Funding Floor. This means that every school will attract an increase in their pupil-led funding of at least 0.5% per pupil, if the NFF is replicated. The application of this will be subject to affordability.
- LAs will continue to set the Minimum Funding Guarantee (MFG) per pupil between +0.0% and +0.5%. Lincolnshire currently apply a +0.5% MFG rate.
- Mainstream Schools Additional Grant funding that schools received as a separate grant in 2023/24 has been rolled into the NFF for 2024/25. This will be achieved by adding an amount representing the funding schools received through their grant into their baseline for protection purposes and adding funding to the NFF lump sum, basic per pupil rates and FSM6 replicating the distribution of the grant.
- There will be no gains ceiling cap. All schools will attract at least their full allocations under the formula. LAs will still be able to use a cap in their local formula for affordability purposes.
- Following the second consultation on the transition to the 'hard' NFF, a national formulaic approach to split site funding will be introduced, replacing the previous LA-led approach. This will be a compulsory factor. The split sites factor targets extra funding to schools which operate across more than one site. The factor will be made up of two parts: basic eligibility entitlement (where schools will receive a lump sum for each of their additional eligible sites) and a distance funding entitlement (schools will receive this funding if the eligible sites are separated by more than 100 metres (by road distance) from the main site). From prior modelling undertaken by the LA, the previously determined split site secondary schools will incur a reduction in funding via this new methodology, however funding protection will be applied through the operation of the MFG. Officers will review the impact in the 2024/25 budget shares modelling work that is currently taking place.
- The Education Skills Funding Agency (ESFA) proposed changes to the methodology of paying rates bills in 2022/23. Under the new methodology the ESFA would pay rates bills directly to the billing authority on behalf of all maintained schools and academies. In order for the new methodology to be adopted all billing authorities in the LA would need to agree to the new payment method. The billing authorities in Lincolnshire opted not to adopt this change in 2023/24. However, the ESFA are strongly encouraging all billing authorities to adopt the new payment method in 2024/25. Officers are in dialogue with the billing authorities in Lincolnshire with the aim of transferring to the new payment method for 2024/25. Further details are to follow.
- Following the cancellation of progress assessments in the summer of 2020 and the summer of 2021 due to the pandemic, LAs will be required to use 2019 assessment data as a proxy in the low prior attainment factor within their local funding formulas' for the reception to year 6 cohort.
- Premise funding will continue to be allocated to LAs on the basis of prior year actual spend in the 2023/24 Authority Proforma Tool (APT). The Private Finance

⁴ The minimum per pupil values have been uplifted by the mainstream schools additional grant funding basic per-pupil values, and an additional amount which represents the average amount of funding schools received from the FSM6 and Lump Sum parts of the grants.

Initiative (PFI) factor will increase in line with the RPIX measure of inflation (10.4%) to reflect PFI contracts.

- Growth funding will continue to be allocated to LAs based on the formulaic approach introduced in 2020/21 based on the growth in pupil numbers between October 2022 and October 2023 census. The Government's growth funding applies a lagged approach rather than forecasting future growth expected. When allocating growth funding LAs must ensure funding allocated is at least the minimum funding level as set out in the NFF guidance, which the LA complies with.
- For the first time in 2024/25 LAs will receive funding based on falling rolls as well as growth. Falling Rolls Funding will be allocated to LAs on the basis of the reduction in pupil numbers that an LA experiences each year. Officers are currently reviewing whether a Falling Rolls factor is required in Lincolnshire.
- LAs have received updated guidance regarding their Notional SEN budget calculations within a schools delegated budget. Officers are currently reviewing this guidance and a further update will be provided at the January meeting.
- The Schools block continues to be ring-fenced, LAs can transfer up to 0.5% of their Schools block funding into another block, following consultation with all schools and academies and the approval of Schools' Forum.

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

The sector and the Schools' Forum have supported Lincolnshire's decision to continue adopting the NFF due to the increased per pupil funding levels being seen in all mainstream schools. The LA still does however consider local flexibility and decision-making powers important to best respond to local needs and demands on a timely basis within reasonable DfE parameters, including LAs having a voice on nationally established arrangements.

The fundamental principles of the NFF are not changing for 2024/25. In accordance with the 20 January 2021 Executive Councillor decision and sector support through the consultation exercise, the LA plans to continue replicating the NFF in 2024/25, which will include the modest changes identified above. This will of course be subject to affordability of the Schools block due to the Government's application of lagged funding arrangements for LA Schools block funding. The latest October schools census information for determining schools budgets is typically shared with the LA Finance departments in mid-December, and at that point the LA completes the APT to determine schools budgets and the assessment of affordability, before being submitted to the ESFA for compliance by 22 January 2024. This therefore leaves limited time for engagement with the sector on the impact of specific measures to address affordability, if necessary. The LA consulted with the Schools' Forum on the proposed measures to address the affordability gap of the NFF in 2023/24, which has been outlined in the Background section of this report. The LA would favour adopting the same approach and principles, if affordability issues arose for 2024/25. The affordability position will be shared with the Forum in the January meeting including the mitigating measures to address this and the school impact.

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 concludes at this point in time that a schools consultation will not be required for mainstream schools funding in 2024/25.

Central Schools Services block

The published information outlines that within the Central School Services block, funding will continue to be provided to LAs to carry out central functions on behalf of maintained schools and academies, comprising two distinct elements:

- Ongoing responsibilities
- Historic commitments

The ongoing rate per pupil for 2024/25 is £38.85 (compared to 2023/24 rate of £37.17), a 4.52%⁵ increase. This includes £5.5m nationally added to cover the increased cost of copyright licences (£0.97 per pupil for Lincolnshire). In summary, a £0.71 per pupil rise (or 1.9% increase). The final allocation will be subject to the October 2023 schools census, but the provisional allocation is £4.718m (2022/23: £4.781m). This will be considered when the detailed budget setting exercise is fulfilled.

The Government will continue to reduce historic commitments monetary values by 20% in 2024/25. For Lincolnshire this is a £0.228m reduction. This funding is required to support the remaining long-term contract in place, namely PFI school buildings. The LA will be seeking agreement from the DfE Policy Team for 2024/25 to have the contract value funding protected going forward to enable the LA to meet its contractual commitment.

High Needs block

The published information outlines that within the High Needs (HN) block the provisional allocation for 2024/25 has increased by £4.241m to £130.665m⁶.

Within the HN block the funding floor has been set at 3% so that each LA will see an increase of at least 3% per head of their 2 to 18 population in 2024/25. To ensure Lincolnshire receives its 3% per head funding uplift, in addition to the national high needs formula, it receives protection funding of £7.527m (or £51.20 per pupil) within the funding allocation. The protection funding in 2023/24 was £8.692m. Hospital funding has increased by c.3%.

Compared to prior year funding increases (2022/23: 9.8% per head), the funding increase of 3% per head is modest and will place significant pressure on Lincolnshire in managing the cost demands within its 2024/25 allocation. Financial planning is indicating an in-year overspend in 2024/25 in light of demand and price changes, with refinement of assumptions taking place over the coming months, as the position becomes clearer. This forecast in-year overspend would need to be met from available reserves to provide a balanced budget. A higher cost base includes increased demand and prices in alternative

⁵ CSSB ongoing responsibilities 90% distributed through basic per pupil factor, 10% through FSM Ever 6

⁶ Historic Funding £31,461,638, Proxy Funding £79,247,014, 3% growth funding £7,526,992, Hospital School funding £2,893,516, Basic Entitlement funding £11,011,580, Imports & Exports -£1,476,000

provision; an increasing number of Education Health Care plans being issued, and mainstream schools unable to meet need, therefore special school places are being exhausted, which is leading to more external placements being required (a 14% increase in SEND placements over the last 16 months), and unfavourable market conditions has seen placement costs increase by over 30%.

Detailed budget planning and trajectory work, and sector engagement will take place in the autumn to substantiate the requirements of high needs spending. Information will be shared in the January Forum meeting.

There continues to be a growing trend nationally, and this growth is being experienced in Lincolnshire with more young people requiring specialist support which is having a material financial impact on the HN block. This remains a financial challenge. In Lincolnshire, transformational work is still considered fundamental to securing further improved outcomes for young people with SEND through a truly integrated approach, whilst also securing an offer for Lincolnshire that is financially sustainable within the central Government allocation. The SEND Transformation Board is governing the transformational process and its key work streams, including monitoring of progress against our ambitions.

Early Years block

Following the consultation on reforms to the Early Years Funding Formula in July 2022, the 2023 Spring Budget announced additional funding for the existing early years entitlements for disadvantaged 2-year-old children, 3-and-4-year-old children, maintained nursery schools, disability access fund and Early Years Pupil Premium for 2023/24 and 2024/25.

In July 2023, the Government confirmed an extra £204m through the Early Years Supplementary Grant (EYSG) for September 2023 to March 2024. For 2024/25, this would rise to £288m however this would not be through a separate grant, but form part of the Early Years block of the DSG.

The additional funding from central Government was in response to the rising child sector costs to support the financial sustainability of providers. Lincolnshire will passport the participation hourly rate increases in full to the sector, which is in accordance with the grant conditions. For Lincolnshire, the indicative funding is £2.369m in 2023/24, which will support an hourly rate increase of £1.77 per pupil for disadvantaged 2-year-old children (current provider rate of £5.29 per hour), and an hourly rate increase of £0.33 per pupil for 3-and-4-year-old children (current provider rate of £4.42 per hour). The sector has received communications on the additional rates delivered through the EYSG.

From April 2024, eligible working parents of 2-year-olds will get a new offer of 15 hours of entitlement per week of free childcare. A new funding formula rate for 2-year-olds will be required to be introduced under a new DfE funding framework, which the DfE has completed a consultation on. From September 2024, eligible working parents will get 15 hours of entitlement per week of free childcare from nine months until their children start school, which will also require a new funding formula rate. From September 2025, this will rise to 30 hours entitlement for working families.

Pupil Premium

Pupil Premium will continue in the 2024/25 financial year. Rates will be published later in the year.

Teachers' Pay Additional Grant (TPAG)

On 13 July 2023 the Government announced additional funding of £525m in 2023/24, with a further £900m in 2024/25 for schools' teachers' pay costs, through the Teachers' Pay Additional Grant (TPAG). Although this funding is categorised as a separate grant for 2023/24 and 2024/25, the ESFA have indicated they intend to incorporate this funding into schools core funding from 2025/26 for primary and secondary schools.

The base funding rates for 5-16 schools will be as follows for 2023/24:

- Basic per-pupil rate of £36 for primary pupils, including pupils in reception
- Basic per-pupil rate of £50 for key stage 3 pupils
- Basic per-pupil rate of £57 for key stage 4 pupils
- Lump sum of £1,345 per school
- FSM6 per-pupil rate of £31 per eligible primary pupil
- FSM6 per-pupil rate of £45 per eligible secondary pupil

For special schools and alternative provision schools, it is the role of the LA to determine the distribution of this funding to the sector, in accordance with the specific grant conditions. The funding the LA has received is £260 per place. The LA is in the process of engaging with the sector.

In Lincolnshire, this will represent funding of £5.638m for the primary and secondary sector and £0.676m for special schools and alternative provision schools.

Conclusions

The funding announcements show an increase in per pupil funding for Lincolnshire mainstream schools. 2024/25 is the third and final year of the three-year funding settlement. It is hoped that this increase in funding combined with the TPAG will assist the financial position of schools at a time when costs are rising. The LA will continue to monitor the position for the county's schools.

The HN block will continue to require careful and prudent management going forward as a result of the reduction in the funding growth when compared to prior years and increasing cost base caused by demand and price changes, and the impact all these factors have on the financial sustainability of the HN block.

The introduction of the new early years funding is still under review by the DfE following its recent consultation with LAs. The LA will be required to establish a new funding formula and universal rate for 2-year-olds. The LA intends to engage with the sector on this to help shape the outcomes. Further information will be shared with the Forum in the January 2024 meeting.

Next Steps

The LA has received the draft version of the APT that includes October 2022 census data to enable officers to undertake financial modelling of school budgets to fully understand the impact of the funding announcements detailed in this paper. In addition, officers are modelling any further rises in FSMs and the impact this will have on affordability of the Schools block.

The sector and Schools' Forum have supported the decision for Lincolnshire to adopt the NFF due to the increased per pupil funding levels being seen in all mainstream schools. The LA plans to continue adopting the NFF in 2024/25. The fundamental principles of the NFF are not changing for 2024/25, and such refinements are increasing the formula factor monetary values. The LA concludes at this point in time that a schools consultation will not be 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.

The Government has conducted its latest consultation on how further reforms to the NFF will be implemented, with the intention of moving to a 'hard' formula. The Government expect to have moved all schools onto the NFF within the next four years, by the 2027/28 funding year. This would remove the LA responsibility in the setting of school budgets. The LA has responded to the latest consultation concluding the importance of retaining local flexibility and decision-making powers for aspects of schools funding, such as schools growth arrangements to support our statutory duty and premise-led factors. What the NFF has achieved is a move to greater consistency in how LAs are funded, which the LA considers to be extremely important in ensuring fair and equitable funding for the schools sector in each area.

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.

CSSB Historical Commitment Funding will reduce by a further 20% per annum in 2024/25 in accordance with the ESFA expectations that contracts are starting to have reached their natural conclusion. The LA will be seeking agreement from the DfE Policy Team for 2024/25 to have the contract value funding protected going forward to enable the LA to

meet its contractual commitment (to the end point of August 2032).

High Needs Funding – there continues to be a significant growth in the demand for more specialist support for young people, which is having a material financial impact on those centrally-held budgets of the HN block. Service leads and the SEND Transformational Board remain focused on delivering a sustainable budget through effective service and financial planning, however this is at a time where 2024/25 funding growth is falling compared to prior years and an increasing cost base caused by demand and price changes. Prudent financial management is therefore important to avoid the LA falling into a DSG overspend position.

Appendices

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

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	Report Reference: (moderngov.co.uk)
School Funding Arrangements 2023/24	Report Reference: (moderngov.co.uk)

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