



Open Report on behalf of Heather Sandy, Executive Director – Children’s Services

Report to:	Lincolnshire Schools' Forum
Date:	18 January 2024
Subject:	School Funding Arrangements 2024/25

Summary:

The purpose of this report is to brief the Schools' Forum on the school funding arrangements for 2024/25.

Recommendation(s):

The Schools’ Forum is asked to:

- (1) Note the contents of the report,
- (2) Support the Council’s proposals of continuing to adopt the national funding formula and steps to address an affordability gap,
- (3) Agree to the disapplication request for the continuation of the primary schools rents factor relating to schools premises within Lincolnshire’s current local formula under the exceptional circumstances criteria.
- (4) Agree the Council’s proposals relating to a number of centrally held budgets.

The views of the Schools’ Forum relating to the proposed schools funding arrangements for 2024/25 will be reported to Children’s Services Directorate Leadership Team and Executive Councillor for Children’s Services, for final consideration.

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 'direct' 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 Council consulted with the sector on to continue adopting the NFF (I021123). This decision remains in place.

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 levels that have been received. It currently remains the LA decision on setting its schools funding formula within the Department for Education's (DfE's) funding framework. This DfE funding framework will continue to progressively tighten the rules governing LAs' flexibilities over school funding by requiring LAs to move their local formula factor values closer by at least a further 10% to the NFF in 2024/25, where they are not mirroring the NFF.

In 2023/24, Lincolnshire continued to adopt the monetary values of the NFF factors, however due to the increase in Free School Meals (FSMs) recorded on the October 2022 census resulting from the pandemic and cost-of-living challenges, of which 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 Council 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 (£0.227m).

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

School funding announcements

The 2021 Spending Review announced a three-year funding settlement for schools. This included the 2024/25 national school funding levels rising by £1.5bn to £56.8bn or a 1.9% increase in per pupil funding. The Autumn 2022 statement announced a further £2bn increase in funding (equating to an additional 3.4% increase in per pupil funding) in each of 2023/24 and 2024/25 to respond to increasing costs faced by schools, particularly through staff pay awards and utilities. The 2023/24 allocation was made through a separate grant (Mainstream Schools Additional Funding Grant), however for 2024/25, this

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

funding will go through the NFF. In addition, a separate grant has been made to mainstream schools through the Teachers' Pay Additional Grant starting from September 2023. This will continue as a separate grant in 2024/25 (£0.8m). Overall, core school budgets will be £59.6bn in 2024/25.

Table 1: Schools Funding Settlement

	£ 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 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 2023, 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 meant the overall cost of Core Schools Budget would be 0.62% greater than funding available. The DfE has issued revised NFF values at a lower rate². No other changes have been made to the structure of the NFF, or the rules governing the local formulae.

An updated version of the Government's schools NFF funding intentions and DSG settlement were released on 19 December 2023. The DSG settlement included updated datasets.

2024/25 Dedicated Schools Grant allocations

The DSG remains a ring-fenced grant that can only be used in accordance with the School's and Early Years Finance (England) Regulations.

The DSG will continue to comprise of four blocks – Schools block, Central School Services Block (CSSB), High Needs block and Early Years block, each of these blocks continue to be determined by a separate national funding formula.

The Schools block continues to be ring-fenced. LAs are able to transfer up to 0.5% of their Schools block to an alternative block with the agreement of their Schools' Forum following consultation with all schools and academies.

The DSG allocations announced by the DfE in late December 2023 are set out below.

² 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.

Table 2: Lincolnshire's 2024/25 DSG allocations

Block	Lincolnshire (£m)
Schools Block	580.838 ³
Central School Services Block	4.716 ⁴
Early Years block	69.429 ⁵
High Needs block	131.047 ⁶
Total	786.030

Overall Assessment

Lincolnshire's overall funding levels across the four blocks have increased in 2024/25.

The Schools block is allocated to LAs to fund schools delegated budgets. The key NFF Schools block funding updates include: the increase to FSMs formula factor values by 1.6%; all other pupil-led factors increasing by 1.4%, each school receiving 0.5% more for pupil-led factors compared to 2023/24 and an increase in the minimum per pupil formula factor.

The High Needs block has seen an increase due to the funding floor being set at +3% compared to the prior year's funding levels.

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 using prior year pupil-led characteristics and latest pupil numbers under the Government's notional NFF. The primary and secondary ranked positions for Lincolnshire continue to remain fairly static from a national context for 2024/25. The primary unit of funding has moved closer to the England national average. The secondary unit of funding remains below the England national average, as a result of the indices being used.

³ This includes Growth and Premises funding of £9.184m, and Mainstream Schools Supplementary Grant funding of £18.813m from 2023/24.

⁴ This includes £3.805m for the LAs ongoing responsibilities for school central services and £0.911m funding for historic commitments.

⁵ This includes indicative allocations of £27.909m for 3 & 4 year old funding (up to 15 hours); £13.424m for additional 15 hours entitlement for eligible working parents of 3 & 4 year olds; £6.302m for disadvantaged 2 year old funding; £11.405m 2 year old working parent entitlement; £7.867m for under 2's; £1.198m for early years pupil premium funding; £0.460m of disability access funding and £0.865m supplementary funding for maintained nursery schools.

⁶ This includes the actual High Needs allocation through national funding formula £118.236m; basic entitlement £11.423m, the provisional import / export adjustment of -£1.506m, Hospital education and AP teachers' pay grant and teachers' pension employer contribution grant of £2.894m.

Table 3: LA aggregated schools' notional allocations under the NFF

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	£5,278	£5,281	-£3	104
Secondary	£6,552	£6,879	-£327	56
Difference				
Primary	£345	£267	£78	1
Secondary	£336	£337	-£1	2

The Schools block will also include funding for premises factors (e.g. Private Finance Initiative (PFI) factor and split site).

LAs will receive growth funding via a formulaic method based on the actual growth in pupil numbers experienced from the October 2023 census and the prior year census. The allocation will however not take into account any known growth in pupil numbers expected in 2024/25.

The funding that LAs receive for growth is to cover two elements of funding:

- Explicit growth – funding that LAs allocate through their growth fund.
- Implicit growth – LAs adjust the pupil count used to allocate funding in the Authority Proforma Tool (APT) when determining school budgets. This will reflect only significant increases in pupil numbers.

Lincolnshire has schools reorganisation policies to allocate funding to both the primary and secondary sector. The policies have been reviewed and the approach remains unchanged for 2024/25. When allocating growth funding to schools, LAs must ensure funding allocated is at least the minimum funding level as set out in the NFF guidance, which the LA complies with. The policies are important in order to ensure the LA can fulfil its strategic and statutory responsibilities to provide sufficient school places for pupils in Lincolnshire.

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. The Council is to review whether a Falling Rolls factor is required in Lincolnshire.

Central school services block (CSSB)

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%⁷ 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 funding supports: admissions service; servicing the Schools' Forum; nationally agreed schools copyright licences, and Education Service Grant retained duties for all schools. The DfE has continued to fund in the CSSB the cost of centrally employed teachers' employer pension increases. Lincolnshire's CSSB 2024/25 allocation is £3.805m for ongoing responsibilities.

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 Council will require a sustainable outcome for this long-term contract. It is forecast that the 2024/25 funding levels will be sufficient to meet next year's historic commitment for PFI school building. The Council will be seeking agreement from the DfE Policy Team to have the contract value funding protected going forward to enable the Council to meet its contractual commitment.

High Needs block

The basic structure of the High Needs national funding formula for 2024/25 is not changing.

The formula is made up of:

- Basic Entitlement: to provide a per pupil amount of £4,660 for all pupils in special schools taken from the school census data collection in the October prior to the year for which allocations are made. This represents 27% of LAs allocations.
- Historic funding: provides every LA with a set percentage (50%) of their 2017/18 spending on high needs to reflect past spending patterns. This represents 27% of LAs allocations.
- Proxy factors: the remaining high needs funding uses a selection of proxy factors, such as population, low prior attainment, deprivation factors etc. Nationally, this funding stream represents 65% of the overall of the High Needs block funding being distributed to LAs.

The DfE has included the latest data, from the 2021 general population census, on children in bad health, which is a proxy indicator.

The High Needs block allocation is £131.047m for 2024/25, an increase of £4.623m. LAs will be protected under the formula by seeing a minimum increase of 3% per head in 2024/25 compared to their 2023/24 High Need block allocation. 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.

⁷ CSSB ongoing responsibilities 90% distributed through basic per pupil factor, 10% through FSM Ever 6

There continues to be an increasing number of LAs who are incurring a deficit on their overall DSG, largely with the High Needs block being the contributing factor. As previously reported, the total SEND deficits across Council's in England was estimated to be £2.3bn at the end of 2022/23 by the Association of Directors of Children's Services. The DfE acknowledges the challenges the system is facing, and the SEND Green paper acknowledged the unsustainable SEND system and considers ways to address this. The Special Educational Needs and Disabilities (SEND) and Alternative Provision (AP) Improvement Plan Right Support, Right Place, Right Time (published in March 2023) is the mechanism for implementing change.

The funding increase of 3% per head is modest in 2024/25 (compared to prior year settlements) and will place significant pressure on Lincolnshire in managing the cost demands within its 2024/25 allocation. Medium-term financial planning is indicating an in-year overspend for 2024/25 in light of demand and price changes. This forecast in-year overspend would need to be met from available reserves to provide a balanced budget. LAs, such as Lincolnshire must ensure careful management of the DSG takes place to avoid overspending of the DSG.

A higher cost base includes increased demand and prices in alternative 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%. It is also important to ensure the Council delivers fair funding for Lincolnshire state schools in supporting children and young people with SEND by responding to the higher costs of education delivery with funding levels being considered for 2024/25, such as mainstream top up funding and special schools funding.

With the nature of the services that the High Needs block provides, which is driven by large, demand-led activities, it is difficult to change spending levels quickly, as can be demonstrated with the number of LAs involved and the size of their deficit. Therefore, having a sufficient level of reserves to draw on is important to avoid going into a DSG deficit and provide the Council time to deliver change. The c.£9m available reserves will support the Council over the short to medium-term where in-year overspends occur on the High Needs block.

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 High Needs block. This remains a financial challenge, and difficult decisions will be required to ensure Lincolnshire avoids overspending its DSG. In Lincolnshire, transformational work is 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.

Early years block

Lincolnshire indicative Early Years block funding is £69.429m⁸ in 2024/25, which supports seven relevant funding streams:

- the early years universal entitlement for 3- and 4-year-olds
- the early years additional entitlement (30 hours) for 3- and 4-year-old children of eligible working parents
- supplementary funding for Maintained Nursery Schools.
- the Early Years Pupil Premium (EYPP)
- the Disability Access Fund (DAF)
- the early years entitlement for disadvantaged and working 2-year-olds
- the early years entitlement for under 2's for working parents (from September 2024)

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. 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.

The Schools' Forum paper on the Early Years National Funding Formula paper sets out the funding proposals for 2024/25.

Pupil Premium announcement

Pupil Premium will continue in the 2024/25 financial year. The funding rates for 2024/25 will be:

1. £1,480 per primary pupil who is currently eligible for free school meals (FSM) or have been eligible for FSM in the past 6 years (except where the pupil is allocated the LAC or post-LAC premium).
2. £1,050 per secondary pupil who is currently eligible for free school meals (FSM) or have been eligible for FSM in the past 6 years (except where the pupil is allocated the LAC or post-LAC premium).
3. £2,570 for Looked-after Children. Eligibility criteria includes those pupils who are in the care of, or provided with accommodation by, an English LA defined in the Children's Act 1989, or; have left care under a special guardianship order, a residency order, a child arrangement order, or because of adoption.
4. £340 per pupil for Service Premium. Eligibility criteria includes one parent serving in the regular armed forces.
5. £0.68 per hour early years pupil premium for each eligible three- and four-year-old, two-year old and under 2s up to the full 570 hours of free education entitlement.

⁸ This includes the full year allocation (£7.867m) for under 2 year old entitlement, however this is not being introduced until September 2024, therefore a revised allocation is £5.176m.

The October census will continue to be used as the point upon which the allocations are based.

Universal Infant Free School Meals

The grant for universal infant free school meals (UIFSM) funds a meal rate of £2.53 for the 2023/24 academic year. Rates for the 2024/25 academic year have not yet been published.

Teachers' Pay Additional Grant

The Teachers' Pay Additional Grant (TPAG) will continue to be a separate grant for 2024/25. School level allocations will be notified in May 2024. The funding will be incorporated into schools NFF for 2025/26.

The base funding rates for mainstreams schools will be as follows for 2024/25:

- a basic per-pupil rate of £62 for primary pupils, including pupils in reception
- a basic per-pupil rate of £86 for key stage 3 pupils
- a basic per-pupil rate of £98 for key stage 4 pupils
- a lump sum of £2,306
- a FSM6 per-pupil rate of £53 per eligible primary pupil
- a FSM6 per-pupil rate of £77 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 will receive is £446 per place.

Teachers' Pension Grant 2024/25

The DfE has announced schools will receive an additional grant for 2024/25 to reflect the additional costs schools will incur from an increase in employer contribution rates to the teachers' pension scheme for April 2024 of 5% to 28.68%. Further details will be announced in due course; however, it is anticipated that funding will follow a similar methodology to the TPAG.

DSG School Budgets 2024/25

The Council's proposals are to continue adopting the NFF in 2024/25 (subject to affordability) by adopting the following:

- FSMs will increase by 1.6%, in line with GDP deflator forecast for 2024/25.
- All other key formula factors will increase by 1.4% in monetary value.
- A positive Minimum Funding Guarantee (MFG) of +0.50% per pupil protection (subject to affordability). The MFG range is between +0.0% and +0.5% per pupil in 2024/25.
- No gains ceiling cap.
- The minimum per pupil funding levels will be set at £4,610 for primary schools and £5,995 for secondary schools⁹.

⁹ The minimum per pupil values have been uplifted by the supplementary grants' 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.

- Mainstream Schools Additional Grant funding that schools received as a separate grant in 2023/24 will be rolled into the NFF in 2024/25 including the funding being added into the schools 2023/24 baseline funding for MFG purposes.
- Continuation of the 'existing' methodology for the payment of Non-Domestic rates, in that billing authorities will issue bills directly to schools who will receive funding within their budget. For the 'new' payment methodology to be implemented all billing authorities must be in agreement to adopt the new process, this has not been the case in Lincolnshire. Further dialog will take place with billing authorities on the matter.
- Following the second consultation on the transition to the 'direct' 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). Funding protection will be applied through the operation of the MFG.
- Continuation of the primary schools rents relating to schools premises within Lincolnshire's current local formula under the exceptional circumstances criteria¹⁰. Lincolnshire has been required to make a disapplication request to the DfE, since the DfE has advised pre 2019/20 decisions made require consideration for 2024/25. Five primary schools meet this criteria in 2024/25 with nine lease agreements overall relating to school grounds; buildings and playing fields. The £0.056m cost will ensure that these schools are not being financially disadvantaged by their circumstance. Schools' Forum is asked to approve the disapplication and for primary rents to remain within Lincolnshire's schools formula in 2024/25.

Other 2024/25 NFF key updates include:

- LAs will continue to set the local schools funding formula for 2024/25.
- LAs not mirroring the NFF must move their local formula factors 10% closer to the NFF.
- LAs have received updated guidance regarding their Notional SEN budget calculations within a schools delegated budget¹¹. Lincolnshire 2023/24 overall schools funding identified as notional SEN was 11.4%, which is in the mid-point range of LAs. Lincolnshire has a targeted funding approach in the High Needs block to supporting schools with a higher number of Education Health Care plans.
- 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.

¹⁰ The exceptional factor is applicable where the rents factor is more than 1% of a school's budget and applies to fewer than 5% of the schools in the LA area.

¹¹ Requirement to identify for each mainstream school a notional amount to guide schools in their spending to meet the costs, up to £6,000 per pupil, of additional support for the school's pupils with special educational needs (SEN).

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

The fundamental principles of the NFF are not changing for 2024/25. With the sector and the Schools' Forum having supported Lincolnshire's decision to continue adopting the NFF due to the increased per pupil funding levels being seen in all mainstream schools, the recommendation is for the continued application of the NFF in the development of the County Council's mainstream schools funding for Executive Councillor decision. 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 Council still does however consider local flexibility and decision-making powers important in schools funding 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.

2024/25 Financial Modelling:

The latest October schools census information for determining schools budgets was shared with the LA Finance departments in late December. The LA is working on completing the Authority Proforma Tool (APT) to determine schools budgets and the assessment of affordability, before being submitted to the Education Skills Funding Agency (ESFA) by 22 January 2024 for compliance purposes to conform to the Schools and Early Years finance regulations. This therefore leaves limited time for engagement with the sector on the impact of specific measures to address affordability, if necessary. The Council 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 Council would favour adopting the same principles for 2024/25.

The Council has undertaken financial modelling on schools funding that uses the Government's updated NFF changes for 2024/25 (that are explained in the section above); the prior year October 2022 census data, and modelling of growth in the number of Lincolnshire pupils eligible for FSMs caused by the cost-of-living challenges faced by families. LA-level analysis has also taken place on the pupil-led school census information from the latest October 2023 schools comparing this to the prior year. Financial modelling at this stage is indicating an affordability gap in adopting the NFF in full¹², noting the actual affordability gap will be confirmed when individual schools budgets are determined using the latest October 2023 schools census by the 18 January 2024, which will be presented at the Schools' Forum meeting including the mitigating measures to address this and the school impact.

Where the Council is unable to set an affordable formula, Schools' Forum support is being sought on the steps to address the affordability issues of the Schools block in the Dedicated Schools Grant from 2024/25 when setting the mainstream schools NFF.

¹² At this stage of the process, it does not incorporate potential individual school funding adjustments relating to the minimum per pupil funding levels. This is considered to be worse-case.

An affordability gap is estimated to be in the region of c.£2.2m for 2024/25 through the adoption of the NFF in its entirety including a +0.5% MFG caused by an increase in FSMs eligibility.

The following steps are recommended to be taken:

1. To reduce the Schools Growth funding budget within the Schools block from £2.674m¹³ (funded by central Government through a formulaic allocation using prior school level growth data) to £1.572m. The remaining budget of £1.572m will meet the financial commitments for planned primary and secondary reorganisations (in accordance with the LA's policies) in 2024/25 to ensure the Council fulfils its statutory duty of provide sufficient school places for pupils in Lincolnshire. The budget movement to fund the NFF is £1.102m. The Council is required to seek the Lincolnshire Schools' Forum agreement to the 2024/25 Schools Growth budget level in accordance with the DfE regulations at the 18 January 2024 meeting.
2. The remaining shortfall is planned to be addressed through a downward adjustment of the Key Stage Age Weighted Pupil Unit (AWPU) values¹⁴ from the Government's NFF rates in 2024/25.

For the purposes of the DfE's tightening criteria to move all LAs to the direct NFF, local factor values within 2.5% of the respective NFF values are deemed to be mirroring the NFF, this means that LAs such as Lincolnshire can establish their NFF values for 2024/25 anywhere within the +/- 2.5% range. The Council has previously considered a sector-wide solution to be the preferred approach in Lincolnshire to manage the forecast affordability gap, which is being proposed for the 2024/25 funding formula for mainstream schools. The Council 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 actual affordability gap will be confirmed upon completing the detailed schools budgets process using the latest October 2023 schools census. The affordability position will be reported to the Schools' Forum on the 18 January 2024.

An alternative option available to the Council to address the NFF affordability gap is 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 however for those schools impacted, particularly where schools have seen an increase in pupil deprivation levels, such as FSMs eligibility, therefore this option is not recommended.

Following consideration of the proposals on the mainstream schools NFF, Schools' Forum is asked to consider whether it supports the recommendations in the report on the NFF.

¹³ Includes the Falling Rolls allocation (£0.280m). The Council is to review whether a Falling Rolls factor is required in Lincolnshire from 2025/26.

¹⁴ All Lincolnshire mainstream schools receive AWPU funding for each child on roll at the time of the latest October school census.

DSG Central Budgets 2024/25

As stated in previous years, it is important that the LA takes a prudent approach to the setting of central budgets within the DSG. It is important to note the following:

1. Since the 2013/14 school funding reforms, the LA has been able to retain far fewer budgets centrally, and so there will inevitably be lower levels of underspendings in future years and therefore less capacity to respond to any significant emerging issues.
2. LAs limitations in movement of funding between blocks to respond to arising cost pressures.
3. There are a number of budgets that are difficult to estimate and control (e.g. SEN related budgets, including out of county placements, top up funding for Education Health Care plans for mainstream pupils, special school pupil placements, and meeting the education needs for pupils through alternative provision placements).
4. There continues to be a significant growth in the demands for more specialist support for young people, which is having a material financial impact on those centrally held budgets of the High Needs block. The 3% per head increase is modest in 2024/25 and will place significant pressure on Lincolnshire in managing the cost demands within the 2024/25 allocation.
5. The Government has agreed to the extension of the DSG statutory override for a one-off period of three years (up to March 2026), affording the short-term financial flexibility needed for LAs as they implement sustainable change, underpinned and reinforced by the Government's longer-term reforms. LAs are required to carry forward the whole of overspends to the schools budget in future years to address. Therefore, overspends need to be managed within the overall DSG.

Budget Setting Review

The LA is concluding its annual review of the DSG central budgets, although further refinement is being considered. The area of refinement is focused on those demand-led budgets within the High Needs block, which includes analysis of activity data and trajectory planning. The affordability position for all the blocks of the DSG will be finalised over the coming weeks. Medium-term financial planning is indicating an in-year overspend for 2024/25 in light of demand and price changes. This forecast in-year overspend would need to be met from available reserves to provide a balanced budget. The LA does not seek to make a Schools block transfer to the High Needs block in 2024/25.

The DfE regulations contain a number of provisions in relation to the setting of central budgets within the DSG:

1. The High Needs block and central licences negotiated by the Secretary of State can be retained by the LA before allocating the DSG to school budgets. Schools' Forum approval is not required.
2. Funding for significant pre-16 growth to meet basic need can be retained centrally with the agreement of the Schools' Forum.
3. Budgets for admissions and servicing of the Schools' Forum can be retained. The Schools' Forum is required to confirm the amount for each budget line.

In light of these regulations, Tables 4 to 6 below set out the budgets requiring Schools' Forum approval.

Table 4: Budgets requiring Schools' Forum decisions – Schools Block:

Budget	Key points	Proposed budget 2024/25 £	Agreed budget 2023/24 £
	<i>Under DfE regulations, the following budgets can be set at any monetary value.</i>		
Funding for significant pre-16 growth	<ul style="list-style-type: none"> • The budget is essential so that the LA can fulfil its strategic and statutory responsibilities to provide sufficient school places for pupils in Lincolnshire. • Schools will not receive funding through this budget in instances where schools simply have the opportunity to offer more places above their PAN. It must be commissioned and supported by the LA. • This budget is to fund both explicit and implicit growth (as detailed above). Implicit growth funding is allocated through the LAs Authority Proforma Tool. • Lincolnshire has a Schools Re-organisational Policy to allocate funding to both the primary and secondary sector. • Funding will be allocated in accordance with these policies. This is when, as part of its strategic planning of places, the LA needs to ask a school to take in additional pupils above its planned admission number (PAN) temporarily or permanently. • It will continue to be the case that funding could be allocated to maintained schools or academies. • DSG funding for increases to pupil numbers is lagged for LAs until the following financial year, therefore 	£1.572m	£1.503m

	<p>earmarked funding is required to meet this obligation.</p> <ul style="list-style-type: none"> The Government allocation is £2.674m for 2024/25. The financial commitments for planned primary and secondary reorganisations in 2024/25 is £1.572m. This enables a budget movement of £1.102m to fund the mainstream schools NFF. 		
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Table 5: Budgets requiring Schools Forum decisions – CSSB ongoing commitments:

Budget	Key points	Proposed budget 2024/25 £	Agreed budget 2023/24
	<i>Under DfE regulations, the following budgets can be set at any monetary value.</i>		
Admissions	<ul style="list-style-type: none"> The LA has a statutory duty to operate the admissions arrangements in county schools. Without this budget, the LA would be unable to fulfil its statutory duties. The increase incorporates the pay award for 2024/24. 	£0.714m	£0.679m
SACRE	<ul style="list-style-type: none"> Expenditure in connection with the LAs functions in relation to the standing advisory council on religious education constituted by the authority under section 390 of the 1996 Act(b). 	£0.030m	£0.030m
LA Retained Duties for all schools	<p>This relates to the statutory responsibilities LA's hold for all schools. The retained duties rate includes:</p> <ul style="list-style-type: none"> Statutory & Regulatory Duties: revenue budget preparation, preparation of income & expenditure relating to education; authorisation and monitoring of expenditure not met by the schools budget shares; formulation and review of LA schools funding formula; director of children's services duties relating to schools, 	£1.530m	£1.530m

	<p>planning for the education services as a whole, to name the key duties.</p> <ul style="list-style-type: none"> • Education Welfare: functions in relation to the exclusion of pupils from schools, and school attendance. • Asset Management: management of the LA's capital programme; review of an asset management plan, including private finance transactions, and, general landlord duties for all buildings owned by the LA, including those leased to academies. • The Government transferred £117m for ESG retained duties into the DSG Schools block in 2017/18. Lincolnshire's share was £1.530m, which is now included within the CSSB. 		
Servicing of the Schools' Forum	<ul style="list-style-type: none"> • Historically, the cost has been very modest. • Without this budget, the Schools' Forum would find it difficult to operate effectively. • It is proposed that the same budget is set for 2024/25 as set for 2023/24. 	£0.020m	£0.020m
Centrally employed teachers' employer pension contributions	<ul style="list-style-type: none"> • The DfE included funding into the CSSB to fund the increase in the employer contribution rate of teachers' pension scheme from 16.4% to 23.6% (September 2019). • This budget supports the additional cost for centrally employed teachers'. 	£0.380m	£0.371m

Table 6: Budgets requiring Schools Forum decisions – CSSB historic commitments:

Budget	Key points	Proposed budget 2024/25 £	Agreed budget 2023/24
	<i>Under DfE regulations, the following budgets can only be set at historic costs, they are not permitted to increase.</i>		

Private Finance Initiative (PFI) Schemes	<ul style="list-style-type: none"> • This funds the PFI contractual commitments for the seven schools built under PFI a decade ago. • Without this budget, the LA would be unable to finance the on-going costs of these historic, contractual commitments. • The contract is in place until 31st August 2032. • In response to the Government's changes to historic funding levels, the LA created a mainstream schools PFI formula factor in 2020/21 to support the affordability gap / unavoidable costs. • The remaining sum of £0.644m will meet the affordability gap / unavoidable costs for the four special schools built under PFI. 	£0.644m	£0.644m
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The budgets proposed above are prudent and have been determined following a detailed review.

Some minor refinements to the overall budgets above may be necessary in light of officers' on-going work. In accordance with established practice, the LA will report to Schools' Forum in June 2024 the final budgets for 2024/25 as set out in the Section 251 budget statement which has to be published by 30 April 2024. Any material changes from the figures reported here will be communicated to the Schools' Forum at that time.

Members of the primary maintained schools section of the Schools' Forum agreed the de-delegation of a number of budgets at its meeting on 5 October 2023. Those decisions will be reflected in the LA APT that will be submitted to the DfE on the 22 January 2024.

Education Services Grant - General Duties

The general duties relate to the statutory responsibilities LA's hold for maintained schools only. The LA continues to make the decision not to retain funding in the Schools block for statutory duties relating to maintained schools only. The LA will continue to review this on an annual basis.

The general duties rate functions include:

1. Statutory and Regulatory Duties: monitoring compliance with requirements in relation to the scheme for financing schools; consistent financial reporting; investigations of employees or potential employees; HR corporate duties;

compliance with duties under health and safety; investigations and resolution of complaints relating to maintained schools.

2. Asset Management: general landlord duties for all maintained schools to ensure the buildings have appropriate facilities; reasonable weather resistance; safe escape routes; adequate water supplies and drainage; playing fields to the appropriate standard; general health & safety duty as an employer for employees etc.
3. Monitoring national curriculum assessments.

The financial outlook for the Council and Children's Services

The Council is proposing a one-year budget. The provisional Local Government finance settlement was published on 18 December 2023. This confirmed funding allocations in line with the policy statement. The settlement sets out a core spending power estimate for each individual LA.

Overall, the settlement was broadly in line with expectations, even if the sector had hoped for additional funding to support with rising costs particularly due to inflation and demand. Specifically, there was no additional funding made available for the cost pressure created by the increase in the National Living Wage announced by the Government in the autumn.

At its meeting on the 9 January 2024, the Executive considered the budget proposals, which has now been put forward as a basis of consultation. The Council wide current position reflects a deficit position in all years. It is on that basis a 4.99% local tax base position is being proposed for 2024/25.

It is important to recognise the strong foundation of the Council which means it is better placed than most to navigate the challenges that are expected to lie ahead. The economic environment continues to be a significant risk for the Council. The economy has been subject to unprecedented inflation, which means that the cost of goods and services have increased at a higher rate than the Government's target, over a prolonged period.

The Council has a Children's Services system which is working well and a Children in Care service which is outstanding, and the Council continues to strive for improved outcomes for children and families. Lincolnshire is facing the same challenges with rising demand on its services; increasing complexity and demands of children being unable to be placed with our in-house fostering; composition of placements shifts to more external placements through use of independent fostering agencies and residential placements, and added inflation and market price rises onto this demand is causing unfavourable external market conditions, which is unsustainable.

The area of Children in Care causes the greatest financial risk to Children's Services Council budgets due to the demand-led nature, volatile and financial consequence of such decisions. A proposed cost pressure for Children in Care (£4.136m) has been necessary to meet the current baseline commitments of Children in Care placements which reflects the changing landscape with higher Children in Care numbers and a higher composition in

more specialist placements (independent fostering agencies; residential placements and intense needs supported accommodation).

Next Steps

The Government published to LAs the latest October 2023 schools census information in late December 2023 for 2024/25 schools funding purposes, which will be used locally to determine Lincolnshire mainstream schools budgets for 2024/25. At the time of writing this report, the detailed process for determining individual schools budgets has just commenced.

The Council has undertaken financial modelling on schools funding and at this early stage is indicating an affordability gap in adopting the NFF in full caused by the increase in FSMs eligibility as a result of the cost-of-living challenges. The actual affordability gap will be confirmed when individual schools budgets are determined using the latest October 2023 schools census. This position will be shared with the Schools' Forum at its meeting on the 18 January 2024. Where Council is unable to set an affordable formula, the report details the recommended steps to address the affordability issues of the Schools block for 2024/25 when setting the mainstream schools NFF, namely, a budget transfer from the Schools Growth Fund to the NFF and a downward adjustment of the Key Stage Age Weighted Pupil Unit (AWPU) values for 2024/25.

The APT will be submitted to the ESFA by 22 January 2024 for compliance.

School budget shares must be published by 29 February 2024.

Officers will continue to review the Government's publications that implicate 2024/25 funding including amendments to the DfE's School and Early Years Finance Regulations, to ensure full compliance is achieved in 2024/25.

Conclusion

The Council plans to continue adopting the NFF in 2024/25 (subject to affordability). Measures to address an affordability gap on the adoption of the NFF in 2024/25 are outlined in the report. These measures are considered the fairest approach for the sector. 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.

To approve the continuation of the primary schools rents relating to schools premises within Lincolnshire's current local formula under the exceptional circumstances criteria. Schools' Forum is asked to approve the disapplication and for primary rents to remain within Lincolnshire's schools formula in 2024/25 to ensure that these schools are not being financially disadvantaged by their circumstance.

The Council requires the approval of budgets from Schools' Forum in Tables 4 to 6 in accordance with the DfE regulations. Further budget work will continue in light of on-

going work to secure the financial sustainability of the DSG. The LA will report to Schools’ Forum in June 2024 the final budgets for 2024/25.

The High Needs block continues to be an area of concern and will require careful and prudent management going forward.

Consultation

a) Risks and Impact Analysis

The affordability of the Schools block in adopting the NFF for 2024/25 will be finalised during the completion of the APT that contains the latest census information. The options for addressing affordability have been outlined in the body of the report.

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 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 Council falling into a DSG overspend position.

Appendices

These are listed below and attached at the back of the report	
Appendix A	Government’s Notional 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
Lincolnshire Schools’ Forum: National Funding Formula for Schools – Update for 2024/25 – item 4	Agenda for Lincolnshire Schools’ Forum on Thursday, 5th October, 2023, 1.00 pm (moderngov.co.uk)
Lincolnshire Schools’	Report Reference: (moderngov.co.uk)

Forum: Implementing the Direct National Funding Formula – Government consultation outcomes	
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This report was written by Mark Popplewell, who can be contacted on 01522 553326 or mark.popplewell@lincolnshire.gov.uk.

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