

Agenda Item 4

Schools Funding Update 2024/25 - Mainstream Schools

This is an update paper to the Schools' Forum on the affordability of continuing to adopt the National Funding Formula (NFF) in 2024/25. The Local Authority (LA) is currently finalising the Authority Proforma Tool (APT), which is used to determine mainstream schools budgets for 2024/25 using the latest October 2023 schools census data. This is before submitting the APT to the Department for Education (DfE) for compliance checks by 22 January 2024. The LA is able to provide an update to the affordability position of the NFF in 2024/25, 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 2024/25. 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 2022 schools census). The LA is required to fund mainstream schools 2024/25 budgets using the latest schools census (October 2023).

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 and the cost-of-living challenges are having on families. Reflecting on the 2023/24 position, Lincolnshire were able to adopt the NFF factors and monetary values in full, with affordability of the formula addressed through reducing the Schools Growth funding budget within the Schools block; a budget transfer from available funding within the Central Schools Services block and a downward adjustment of 0.075% of the Key Stage Age Weighted Pupil Unit (AWPU) values from the Government's NFF rates.

For 2024/25, the policy recommended decision is to continue adopting the Government's NFF, subject to affordability. The October 2023 schools census which is used for 2024/25 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 2.73% and 11.47% for primary and secondary schools respectively when comparing to the October 2022 schools census¹. The FSMs and FSM Ever 6 additional costs to the Schools block is £1.400m. We have also seen small increases in English as an additional language (£0.231m) and mobility (£0.222m).

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 minimum funding guarantee (MFG) (£0.486m). There are 35 schools receiving this minimum per pupil funding in 2024/25 (5 more from 2023/24), and 42 schools are receiving MFG (1 fewer from 2023/24).

¹ Comparing the FSMs recorded on the October 2019 schools census to the latest census, the primary sector eligibility has increased by 59% and secondary schools eligibility by 89%. The schools population has only grown by 2% in this period.

The affordability gap shortfall is £1.459m 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 2024/25 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 £2.674m³ (funded by central Government through a formulaic allocation using prior school level growth data) to £1.438m. The remaining budget of £1.438m will meet the financial commitments for planned primary and secondary reorganisations (in accordance with the LA's policies) in 2024/25 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 £1.236m.
2. The remaining shortfall of £0.223m is planned to be addressed through a downward adjustment of 0.072% of the Key Stage Age Weighted Pupil Unit (AWPU) values⁴ from the Government's NFF rates in 2024/25. This change is reflected in the table below.

Table 1

Sector	Government NFF rate (AWPU)	Lincolnshire Proposed Rate (AWPU)	Monetary Change
Primary	£3,562.00	£3,559.44	−£2.56
Key Stage 3	£5,022.00	£5,018.38	−£3.62
Key Stage 4	£5,661.00	£5,656.92	−£4.08

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 2024/25 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 2024/25 funding formula for mainstream schools. The AWPU is proposed to be - 0.072% 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.

² The DSG settlement was published by the DfE on the 19 December 2023.

³ Includes the Falling Rolls allocation of (£0.280m). The Council is to review whether a Falling Rolls factor is required in Lincolnshire from 2025/26.

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

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 FSMs eligibility, therefore this option was not considered further. The downward adjustment to the MFG from +0.5% to 0% would see a saving of £0.169m to the overall funding formula, however the LA is mindful of the cost increases facing these schools.

In summary, the LA plan to adopt the NFF factors and monetary values in 2024/25 except for a 0.072% downward adjustment to the AWPU NFF rates in the primary and secondary sectors. The key updates to the NFF in 2024/25 are as follows:

- Free School Meals will increase by 1.6%, in line with GDP deflator forecast for 2024/25.
- AWPU values will increase by 1.37% in monetary value.
- All other key formula factors will increase by 1.4% 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 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 schools⁵.
- 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 'prior' methodology for the payment of Non-Domestic rates.
- Adoption of a formulaic approach to the allocation of split site funding.
- Continuation of the primary school rents factor relating to schools premises.

Conclusion

For 2024/25, the policy recommended 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 2024/25 when addressing affordability issues of the Schools block. This include the utilisation of available Schools Growth funding budget.

The final amendment includes the 0.072% 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 2024/25 anywhere within the +/- 2.5% range. The recommendation to downward adjust the AWPU NFF rates remains within this range.

⁵ The minimum per pupil values have been uplifted by the mainstream schools additional funding grants' basic per-pupil values, and additional amount which represents the average amount of funding schools received from the FSM6 and Lump Sum parts of the grant.

Recommendations

The Schools' Forum is asked to:

Support the recommendations to continue to adopt the NFF and the steps to address the affordability gap through the Schools Growth funding budget transfer, and the AWPU funding being -0.072% below the Government NFF values when adopting the NFF for 2024/25.

Agree any comments to be passed onto the Executive Councillor for Children's Services, Community Safety, Procurement and Migration before the decision is taken.

17.01.2024